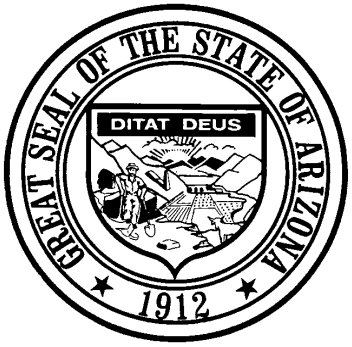
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

Janet Napolitano
GOVERNOR



PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
GENERAL ACCOUNTING OFFICE

STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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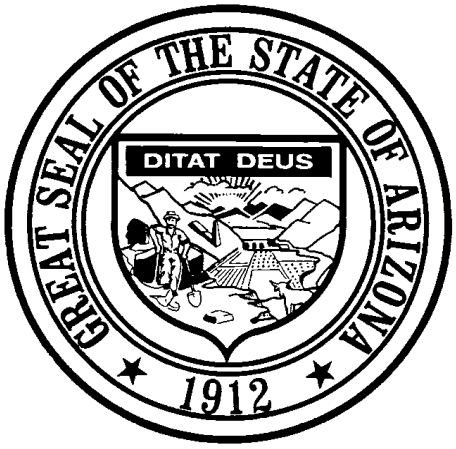
GREAT SEAL OF THE STATE OF ARIZONA
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INTRODUCTORY SECTION

INTRODUCTORY SECTION

JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE DIRECTOR
100 NORTH 15th AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
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January 16, 2004

The Honorable Janet Napolitano
Governor of the State of Arizona,
Members of the Legislature, Chief Justice of
the Supreme Court and Citizens and Taxpayers
of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2003. The CAFR has been presented in conformance with the Governmental Accounting Standards Board (GASB) statements 34 and 35. The objective of this new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund-based financial statements.

Responsibility for the accuracy of data, completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

The report is presented in three sections: Introductory, Financial and Statistical.

The **Introductory Section** includes this Letter of Transmittal, the State's organizational chart and a list of principal State officials.

The **Financial Section** includes the State Auditor General's independent auditors' report, Management's Discussion and Analysis (MD&A) and the basic financial statements (which include the government-wide financial statements, the fund financial statements and the notes to the financial statements). The financial section also includes Required Supplementary Information (RSI), which includes budgetary comparison schedules, infrastructure condition and maintenance data, and retirement plans funding progress. In addition, the financial section includes other supplemental financial data, which includes combining financial statements.

The **Statistical Section** includes selected financial, economic, and demographic data.

U.S. generally accepted accounting principles require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditors' report.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (primary government), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government.

The criteria for inclusion in the reporting entity and its presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Board, (Section 2100). Note 1.A of the Notes to the Financial Statements explains which units are included in the Financial Reporting Entity of the State.

ECONOMIC CONDITION AND OUTLOOK

The following economic summary, is excerpted from the Arizona Department of Economic Security's Arizona's Workforce, August 28, 2003.

Arizona's economy continues to add jobs in 2003. In fact, throughout most of 2003, Arizona was ranked in the top 10 fastest job growing states in the nation. However, in the most recent report for July, Arizona slipped to 13th. Notably, some states are gradually improving, while others are struggling with job losses. Global Insight forecasts the nation will show an average loss of jobs in 2003 and recover with modest job growth in 2004.

Arizona's Department of Economic Security, Research Administration (RA) expects Arizona's economy will continue growing, though at a slower pace in 2003 than earlier forecasted. This forecast update shows that Arizona's economy will add more than 82,000 jobs during the forecast period of 2003-04. While jobs grew at a slower than expected rate during the second quarter and most of the third quarter, momentum is expected to pick up for the remainder of 2003 and into 2004. Most of this stems from improving consumer optimism and business confidence and the expected gradual recovery extending through other geographic regions. Improving economic conditions, for example, are expected in Canada, Mexico, Japan, Europe, and especially Asia over this period.

Arizona's goods-producing industries are forecast to grow by 800 jobs over the two-year period. This group of industries shows a surprising endurance in job creation in the case of construction, while manufacturing shows a loss of industry share in its return to 1993-94 levels.

These two mostly cyclical industries have shown sharply different experiences over the recent couple of years. Construction is an industry serving mostly "home-grown" demand. Population growth in Arizona, among the fastest in the Mountain states region, helps to supply the demand for job growth, while the continued low interest rates add to the affordability and attraction of housing and other related products. Manufacturing, on the other hand, is an industry largely serving demand external to our State. With demand levels sharply curtailed in the recent couple of years from other regions, manufacturing firms have struggled to adjust by shedding plant, equipment, and jobs—a process generally referred to as consolidation. Increasingly, however, manufacturing and mining firms have also opted to close, relocate or prioritize their expansion efforts abroad.

During the forecast period, construction is forecast to add more than 11,000 jobs. Continued strong demand for housing has developers building new homes, homeowners expanding and remodeling, and cities and counties grappling with a great deal of infrastructure development such as the improvements of roads and highways. Additionally, continued attraction to rural regions from retirees and locals is forecast to incite economic planning and development groups to work hard in an effort to stay ahead of demand pressures.

Meanwhile, projected gains for construction are largely offset by the forecasted losses of nearly 10,000 jobs in manufacturing and loss of roughly 700 in mining. Computer and electronic manufacturing firms experienced the largest blow in the most recent downturn, and these related sectors are projected to show a prolonged struggle toward recovery.

Service-providing industries are forecast to add more than 81,000 jobs during 2003-04. This group of varied and diverse providers has been growing faster than the goods-producing industries, due to large sectors of the economy catering Arizona's fast growing population and industries serving tourists.

Health and education sectors are projected to show growth of more that 26,000 jobs. Forecasted annual growth rates are expected to average roughly 5.5 percent during 2003-04. Notably, health service jobs are forecast to outpace most all others during the next few years.

Professional and business services sectors are forecast to show increasing demand for labor over the next two years, growing by 1.7 percent in 2003 to more than 4 percent in 2004. This industry is forecast to add 18,600 jobs, accounting for more than 22% of the increase of jobs during the 2003-04 period. Projected to be one of the fastest growing sectors of this super sector, the employment services sector is already leading this group as it serves the growth in many other industries.

The combined trade, transportation, warehousing, and public utilities group is forecast to add almost 15,000 jobs during 2003-04. This represents nearly 18 percent of all jobs added during this two-year period. Trade is projected to be the fastest growing of this group, but losses in wholesale trade are expected to drag down improving retail sectors benefiting from rising and sustained levels of consumer optimism. Wholesale trade is expected to show losses in 2003 and contribute to growth in 2004. Warehousing and transportation job gains are expected to improve as economic activity stimulates commercial flows.

The information services sector is forecast to experience a difficult period toward recovery. Publishing and other information services are forecast to pare more than 3,000 jobs during 2003-04. This industry has been one of the hardest hit in the service-providing industries following the post-2000 economic downturn.

Arizona's leisure and hospitality industry is forecast to add 7,600 jobs during 2003-04, averaging roughly 1.5 percent over the two-year period. More than 9 percent of the total increase of jobs will come from this mostly tourism and entertainment group of sectors.

Financial services forecasts show a slight loss of jobs in 2003 with modest gains returning in 2004. Real estate is projected to be the source of continued growth, whereas the securities and commodities related sectors, along with the insurance sectors are forecast to experience some slight consolidations to cut costs and match lower demand.

Other services, a mix of service providing industries not elsewhere categorized, is forecast to add nearly 5,000 jobs. Growth rates of 2.3 percent and 3.3 percent are forecasted for 2003 and 2004, respectively.

Providing services to Arizona's growing population, government is forecast to add almost 11,000 jobs during the two-year period. Annual growth rates are expected to be modest and average less than 1.5 percent during the two-year period. Local education is projected to generate most of the jobs in government. Growth in federal government jobs stems from the demand for greater security and other services across the state. Fiscal pressures are expected to restrain job growth in state and local government to levels sharply lower than historical trend.

In conclusion, Arizona's economy continues to add jobs and the 2003-04 forecast calls for continued job growth with increasing momentum, which thus far has been absent from this growth phase. Sustained business confidence and higher levels of consumer optimism are expected to further invigorate Arizona's economy, especially as economies of other regions show improvement. While manufacturing job losses remain a concern, even these are expected to gradually slow. Continued job losses in this industry are anticipated to dampen an otherwise full economic recovery beyond the forecast 2003-04 period.

MAJOR INITIATIVES

When Governor Napolitano took office in January 2003, the State was facing an unprecedented fiscal crisis. The current year deficit was approximately $300 million with 6 months left in the fiscal year, and the fiscal year 2004 deficit was projected to be $1 billion, or 14% of projected expenditures. Arizona, like most other states, was experiencing dramatic revenue shortfalls, and projected 2.3% negative revenue growth in fiscal year 2003 after experiencing an 11.1% decline from fiscal year 2001 to fiscal year 2002. Of further concern was that there was no unified voice among economists on a future fiscal recovery. Under these circumstances, Governor Napolitano immediately began the task of resolving current year shortfalls and developing a plan to address the projected deficit. The Governor's approach was a multi-faceted one that examined all the key drivers of the State's budget. In addition, she established key principles that she deemed essential to the State's most vulnerable citizens and necessary for the State's prosperity when the inevitable economic recovery began. Outlined below are the actions taken and the principles specified by the Governor as the solution to the Fiscal year 2003 deficit was developed:

- **Examine the State's tax structure**
  Development of any solution to the State's deficit required an examination of the drivers behind that deficit, including revenues. In January 2003, the Governor formed the Citizens' Finance Review Commission with the purpose of developing a series of recommendations to advise the Governor on a course to stimulate Arizona's economy for the long term. In particular, the Commission is to develop recommendations that address fiscal and tax policies that are simple, low and fair and support Arizona's growing economy.

- **Examine ways to reduce and avoid costs through improved government operations and efficiencies**
  Upon taking office in January, the Governor instituted an Efficiency Review (ER) program designed to improve the performance and efficiency of State government. The ER's mission is to find practical and sensible ways for State agencies and State government, as a whole, to reduce costs, cut bureaucracy, eliminate duplication and improve customer service.

- **Protect funding for education**
  The importance of excellence in education has ceased to be a viable option for debate. Virtually all responsible citizens who recognize their stake in the health of our society readily acknowledge the correlation between a well educated public and the critical goals of economic vitality, public safety, and a high quality of life. Throughput the resolution of the State's deficit, the Governor's actions reaffirmed the vital role of government in providing educational excellence for current and future Arizonans at all grade levels, starting with K-12 education.

- **Provide for Arizona's neediest citizens**
  Economic downturns hit all sectors of society, however the greatest pain is most often inflicted on citizens who live "on the bubble" - survival in good times, desperation in bad. A fiscal crisis raises far more than a fiscal dilemma, it also carries with it great issues of principle and priority. In resolving the fiscal year 2003 deficit, the Governor insisted that the critical support of Arizona's children and families be maintained.

Based on these actions and principles, Governor Napolitano worked with the Legislature to resolve the fiscal year 2003 deficit. The success of her strategy is evidenced by the speedy resolution of the fiscal year 2003 shortfall and the sound fiscal position in which the State ended the fiscal year.

SERVICES PROVIDED BY THE STATE

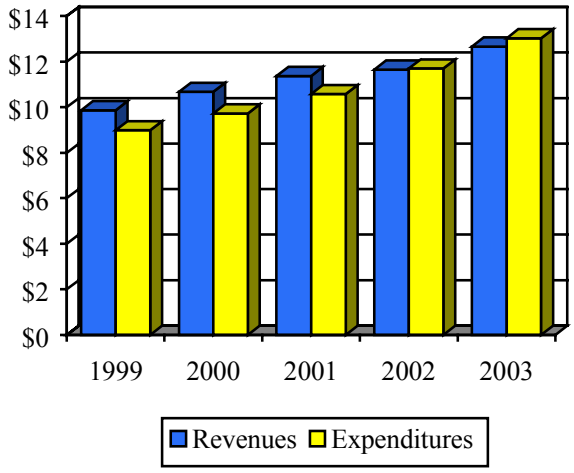
The services provided by the State are administered through various agencies, departments, boards, commissions and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation and (7) Natural Resources.

GENERAL FUND BALANCE

Graph 1 details the General Fund Revenues and Expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(*Dollars in billions*)

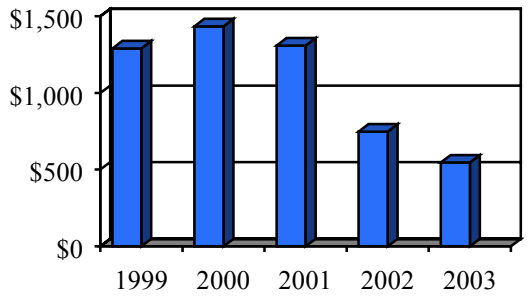


The General Fund ended the June 30, 2003, fiscal year with $343.0 million in unreserved fund balance and a $203.4 million reserved fund balance for a total fund balance of $546.4 million. This compares to the previous year's restated total fund balance of $748.3 million. Included in the $203.4 million reserved fund balance is $13.7 million for the Budget Stabilization Fund. The Budget Stabilization Fund is a form of "Rainy Day Fund" established by the Legislature in 1991.

Graph 2 details the General Fund Balance for the last five fiscal years:

Graph 2

General Fund Balance for last 5 fiscal years
(*Dollars in millions*)



BUDGETARY CONTROLS

Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay items. Capital outlay appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information (RSI).

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

CASH MANAGEMENT

The responsibility for cash management of the State is shared by the Office of the Treasurer (Treasurer) and the General Accounting Office of the Department of Administration, Financial Services Division (GAO). The Treasurer is responsible for the depository, custodial and investment functions of cash. The GAO is responsible for drawing down monies available for State functions and the expenditure or disbursement of those monies.

The State requires that Treasurer's deposits and investments with financial institutions be entirely covered by Federal depository insurance or alternatively collateralized with surety equal to 102% of the deposit or investment. Component units may have collateralization policies that differ from those of the Treasurer.

The Legislature has passed statutes authorizing State investments. Note 2.A. in the Notes to the Financial Statements describes these investments.

The Treasurer deposits receipts in accordance with applicable statutes and invests excess cash of the General Fund and various other funds. All interest, not otherwise apportioned by law, is deposited in the General Fund. Investment earnings for the General Fund totaled $21.6 million for the fiscal year ended June 30, 2003.

PROPRIETARY OPERATIONS

The State's Enterprise Funds are comprised of governmental and quasi-governmental agencies that provide goods and services to the public on a fee for service basis. One of the largest Enterprise Funds is the Lottery Fund. The Lottery Fund generated $322.6 million of operating revenues and $59.6 million of income before contributions and transfers for fiscal year 2003. The Enterprise Funds ended fiscal year 2003 with total ending net assets of $2.734 billion for the Primary Government and $333.4 million for the Component Units. This does not include the State Compensation Fund's total policyholder's surplus of $511.8 million.

The State has Internal Service Funds, which provide a variety of services to State agencies. These include risk management, computer services, telecommunications, transportation services, and employee benefits. The operating revenues for the Internal Service Funds were $572.7 million for fiscal year 2003.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments, including the four State Retirement Systems. See Note 5. in the Notes to the Financial Statements for more information on the four State Retirement Systems. The fiduciary activities are not included on the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

RISK MANAGEMENT

The State purchases property and liability coverage whenever available on reasonable terms. The State is insured by a property insurer for claims in excess of $3.5 million, but less than $345 million, and liability claims in excess of $2 million for the Universities and $7 million for all other state agencies, but less than $107 million. The State also maintains first dollar aircraft coverage up to $200 million. Other purchased coverages include fidelity, foreign liability, medical malpractice (limited to the University of Arizona's medical professional staff), and employment practices. The State's self-insurance fund provides property and liability coverage for claims less than or in excess of this coverage, or whenever coverage, such as workers' compensation and medical malpractice for non-University of Arizona professional staff, is unavailable on reasonable terms.

The State pays self-insurance losses, defense costs, premiums and administrative costs from an appropriated fund which all of the State's agencies participate in. Total costs (excluding the cost of administering the program) have risen from approximately $15.3 million in fiscal year 1988 to approximately $78.1 million in fiscal year 2003. Yearly appropriations have also increased from approximately $27.7 million in fiscal year 1988 to approximately $96.2 million in fiscal year 2003 to meet rising losses and claims-related expenses. Although there are no assurances, historically the Legislature has appropriated sufficient funds to cover all costs.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the "State Entity" is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

ACKNOWLEDGMENTS

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, institution of higher education and all other organizations within the reporting entity.

Betsey Bayless
Director

D. Clark Partridge
State Comptroller

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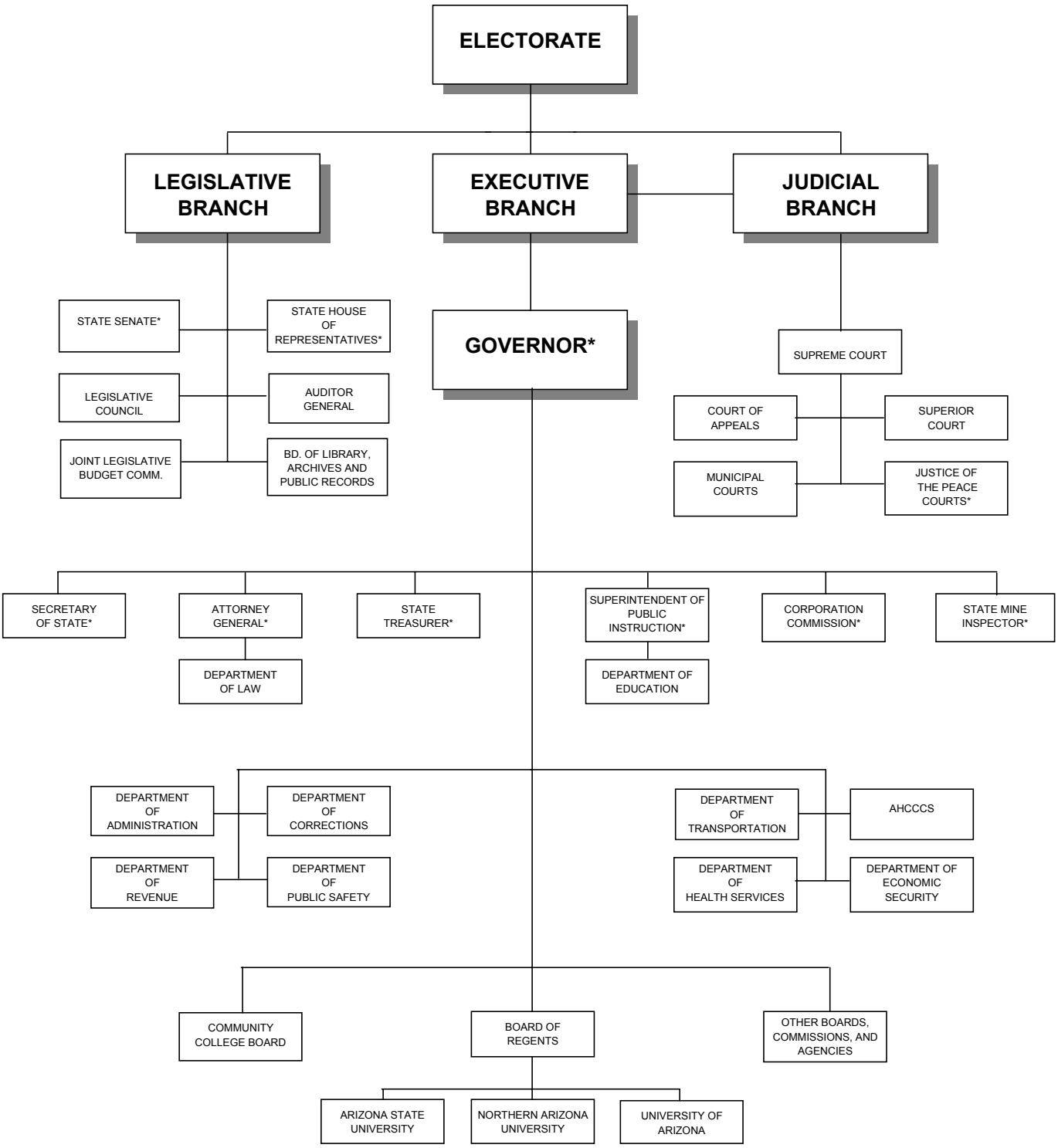
ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2003

ELECTED OFFICIALS

Janet Napolitano, Governor

Senator Ken Bennett, President of the Senate

Representative Jake Flake, Speaker of the House

Janice K. Brewer, Secretary of State

Terry Goddard, Attorney General

Douglas K. Martin, State Mine Inspector

David A. Petersen, State Treasurer

Tom Horne, Superintendent of Public Instruction

Marc L. Spitzer, Chairman - Corporation Commission

William A. Mundell, Commissioner - Corporation Commission

Kristin K Mayes, Commissioner - Corporation Commission

Mike Gleason, Commissioner - Corporation Commission

Jeff Hatch-Miller, Commissioner - Corporation Commission

APPOINTED OFFICIALS

Executive Officials

Betsey Bayless, Director - Department of Administration

Dora B. Schriro, Director - Department of Corrections

David A. Berns, Director - Department of Economic Security

J. Elliot Hibbs, Director - Department of Revenue

Dennis A. Garrett, Director - Department of Public Safety

Catherine R. Eden, Ph.D., Director - Department of Health Services

Phyllis Biedess, Director - Arizona Health Care Cost Containment System

Victor Mendez, Director - Department of Transportation

Judicial Officials

Charles E. Jones, Chief Justice

Legislative Officials

Michael E. Braun, Executive Director - Legislative Council

Richard Stavneak, Director - Joint Legislative Budget Committee

Debra K. Davenport, CPA, Auditor General

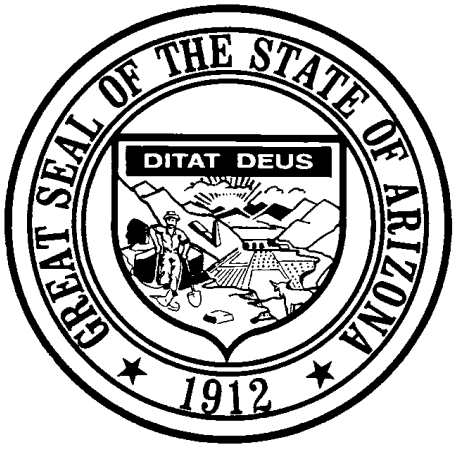
Gladys Ann Wells, Director - Board of Library, Archives and Public Records

University Officials

Michael Crow, President - Arizona State University

Dr. John Denis Haeger, President - Northern Arizona University

Peter Likins, President - University of Arizona


GREAT SEAL OF THE STATE OF ARIZONA
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1912

FINANCIAL SECTION

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janet Napolitano, Governor
State of Arizona

The Honorable Ken Bennett, President
Arizona State Senate

The Honorable Franklin L. "Jake" Flake, Speaker
Arizona House of Representatives

The Honorable Charles E. Jones, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2003, as listed in the table of contents, which collectively comprise the State's basic financial statements. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments and the component units, which account for the following percentages of the assets and revenues of the opinion units affected.

Opinion Unit/Department	Assets	Revenues
Government-Wide Statements		
Governmental activities:		
Arizona Health Care Cost Containment System	.84%	17.08%
Department of Transportation	71.19%	19.51%
Business-type activities:		
Lottery Department	1.18%	11.29%
Arizona Health Care Cost Containment System	.24%	1.17%
Department of Transportation	5.36%	.57%
Aggregate discretely presented component units:		
Arizona Power Authority	2.12%	3.43%
State Compensation Fund	77.35%	55.25%
University Medical Center	6.36%	37.77%
Water Infrastructure Finance Authority	14.17%	3.55%

Opinion Unit/Department	Assets	Revenues
Fund Statements		
General Fund:		
Arizona Health Care Cost Containment System	9.87%	19.67%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund:		
Department of Transportation	100.00%	100.00%
Lottery Fund:		
Lottery Department	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Health Care Cost Containment System	0.08%	5.65%
Department of Transportation	1.33%	19.48%
Arizona State Retirement System	61.22%	19.20%
Public Safety Personnel Retirement System	13.51%	8.32%
Corrections Officer Retirement Plan	2.28%	1.80%
Elected Officials' Retirement Plan	0.98%	.62%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Arizona Power Authority, State Compensation Fund, and University Medical Center, included in the discretely presented Component Units statements; and the Public Safety Personnel Retirement System, Corrections Officer Retirement Plan, and Elected Officials' Retirement Plan included in the Fiduciary statements; were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

The financial statements of the State Compensation Fund are presented on a statutory basis of accounting in conformity with the accounting practices prescribed or permitted by the State of Arizona, Department of Insurance, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The State Compensation Fund's financial statements are included in the State's basic financial statements as a discretely presented component unit and represent 77.35 percent and 55.25 percent of the assets and revenues, respectively, of the State's aggregate discretely presented component units.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the aggregate discretely presented component units of the State of Arizona, as of June 30, 2003, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8, the State reclassified certain activities from one category of fund to another, which constitutes a change in reporting entity. Also as described in Note 8, the State's University of Arizona increased the capitalization threshold for equipment, which represents a change in the application of an accounting principle. Finally, as described in Note 8, the State Compensation Fund changed its basis for reporting financial statements from U.S. generally accepted accounting principles to a statutory basis of accounting permitted by the State of Arizona, Department of Insurance.

Management's Discussion and Analysis on pages 21 through 31, the Budgetary Comparison Schedules on pages 115 through 137, the Infrastructure Assets information on pages 138 through 141, and the Schedule of Agent Retirement Plans' Funding Progress on page 142, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors, did not audit the information and express no opinion on it.

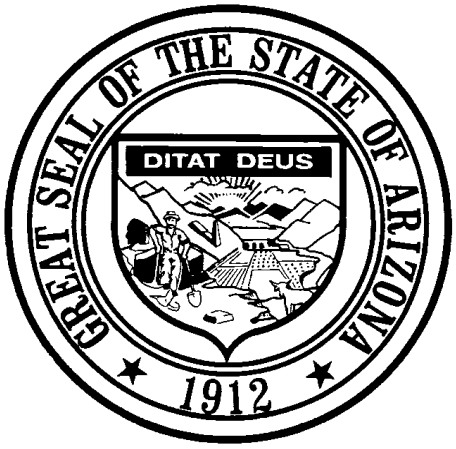
Our audit was conducted for the purpose of forming opinions on the financial statements of the activities, component units, and funds that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

January 16, 2004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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets of the State exceeded liabilities at the close of the fiscal year by $14.7 billion (reported as *net assets*). Of this amount, a $476 million deficit for (*unrestricted net assets*) exists at fiscal year end, $3.3 billion is restricted for specific purposes (*restricted net assets*), and $11.9 billion is invested in capital assets, net of related debt.
- The State's total net assets decreased in fiscal year 2003 by $808 million. Net assets of governmental activities decreased by $611 million, while net assets of the business-type activities decreased by $198 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.7 billion, a decrease of $614 million from the beginning of the year. Approximately 29 percent of the combined fund balances, $787 million is available to meet the State's current and future needs (*unreserved fund balance*).
- As of the close of the fiscal year, unreserved fund balance for the General Fund was $343 million, or 2.6 percent, of total General Fund expenditures.
- The enterprise funds reported net assets at year-end of $2.7 billion, a decrease of $195 million during the year.
- The Land Endowments Fund reported fund balance at year-end of $1.1 billion, an increase of $41 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.

Long-term Debt:

- The State's total long-term primary government debt rose during the fiscal year to $4.2 billion, an increase of $868 million (or 21%). During the year, the State issued revenue bonds and certificates of participation of $823 million and $489 million, respectively. More detailed information regarding the government-wide financial statements, fund level financial statements and long term debt activity can be found beginning on page 23.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-Wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Assets (pages 36 and 37) presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 40 and 41) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to

the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State's unemployment compensation services, Industrial Commission rehabilitation services, and the State's three universities are examples of business-type activities.

- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The State Compensation Fund, the University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are the State's four organizations reported as discretely presented component units. See **page 65** for more information on discretely presented component units.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on **page 43** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 146** begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – each category uses different accounting approaches.

- *Governmental funds* – Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. This report includes two schedules **(pages 44 and 46)** that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) of the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 43 and 45 of this report.

- *Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery Fund and Universities. Internal service funds report activities that provide supplies and services for the State's other programs and activities – such as the State's Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statement business-type activities and the proprietary fund financial statements is presented **on pages 48-53.**

Proprietary fund financial statements can be found on pages 48-57 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 58.** These funds, which include pension, investment trust and agency funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 58-59 of this report.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 64 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules for the general fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. generally accepted accounting principles (GAAP) expenditures for the fiscal year. This section also includes schedules of condition and maintenance data regarding certain portions of the State's infrastructure and retirement plan funding progress schedules.

Required supplementary information begins on page 115 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, and all fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds on the governmental funds and proprietary funds financial statements. Budgetary expenditure comparison schedules for the non-major governmental funds are also included.

Other supplementary information begins on page 146 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operation for the past year for the primary government are summarized as follows based on the information included in the government-wide financial statements. The 2002 governmental activities net assets amount has been restated for fund reclassifications and prior year error corrections. The 2002 business-type activities net assets amount has been restated due to increasing the capitalization threshold for capital assets of one of the Universities. These changes have not been audited and are provided to the reader for comparative purposes. See footnote 4, capital assets, on **page 82** and footnote 8, accounting changes and restatements, beginning on **page 102** for additional restatement information.

State of Arizona-Primary Government
Net Assets as of June 30, 2003
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2003	2002, as restated	2003	2002, as restated	2003	2002, as restated
Current assets	$ 2,482,215	$ 3,184,940	$ 1,372,783	$ 1,722,769	$ 3,854,998	$ 4,907,709
Long-term assets	2,017,052	1,746,159	948,245	1,059,024	2,965,297	2,805,183
Capital assets	12,771,929	11,942,142	2,183,534	2,058,219	14,955,463	14,000,361
Total assets	17,271,196	16,873,241	4,504,562	4,840,012	21,775,758	21,713,253
Current liabilities	1,899,039	1,523,221	398,035	461,077	2,297,074	1,984,298
Long-term liabilities	3,404,396	2,771,665	1,372,754	1,447,291	4,777,150	4,218,956
Total liabilities	5,303,435	4,294,886	1,770,789	1,908,368	7,074,224	6,203,254
Net assets:						
Invested in capital assets, net of related debt	10,690,782	10,043,985	1,169,864	1,159,647	11,860,646	11,203,632
Restricted net assets	2,025,501	2,124,499	1,291,003	1,473,311	3,316,504	3,597,810
Unrestricted net assets	(748,522)	409,871	272,906	298,686	(475,616)	708,557
Total net assets	$ 11,967,761	$ 12,578,355	$ 2,733,773	$ 2,931,644	$ 14,701,534	$ 15,509,999

The largest portion of the State's net assets (81 percent) *represents capital assets, net of related debt* of $11.9 billion. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the State's net assets of $3.3 billion (22 percent) represents resources that are subject to external restrictions on how they may be used. The largest restrictions are by the federal government and State constitution for basic education funded by the Land Endowment Earnings of the Permanent Funds and Unemployment Insurance Premiums from employers for funding the Unemployment Compensation Fund. Another major restriction is unspent debt instrument proceeds for the construction of additional capital assets.

The remaining negative balance of the State's net assets of $476 million (3 percent) represents *unrestricted net assets*, including restatements of beginning net assets.

The State's net assets decreased by $808 million during the current fiscal year. This decrease is primarily attributable to Medicaid income eligibility level increases, highway preservation expense increases, a reduction in unemployment grants, and statewide kindergarten through twelfth grade (K through 12) school building repairs and construction. The completion of roads and bridges increased capital assets approximately $710 million. Medicaid income eligibility level increases, highway preservation expense increases and a reduction in unemployment grants reduced current assets by approximately $488 million. Statewide K through 12 school building repairs and construction increased long-term liabilities approximately $705 million. The fiscal year 2003 K through 12 basic State aid to education increased education expense approximately $190 million.

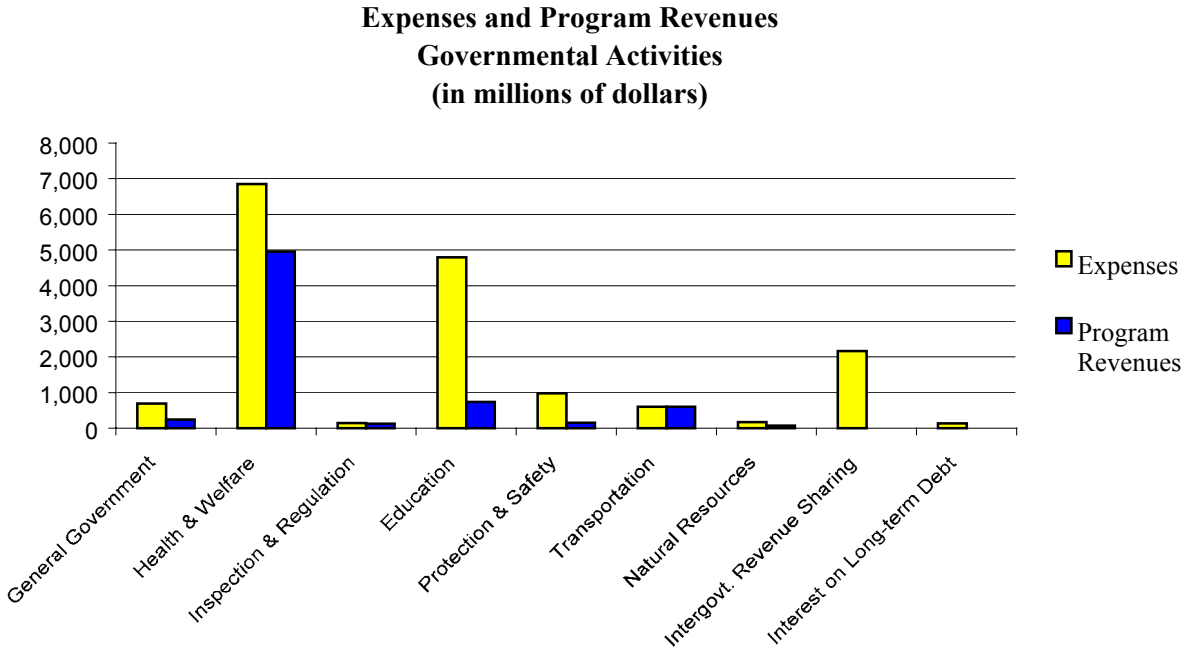
State of Arizona-Primary Government
Changes in Net Assets for Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2003	2002, as restated	2003	2002, as restated	2003	2002, as restated
Revenues:						
Program revenues:						
Charges for services	$ 531,719	$ 581,254	$ 1,257,032	$ 1,188,882	$ 1,788,751	$ 1,770,136
Operating grants and contributions	5,894,195	4,996,539	810,549	737,170	6,704,744	5,733,709
Capital grants and contributions	460,364	471,020	23,090	48,180	483,454	519,200
General revenues:						
Sales taxes	4,551,804	4,450,691	43,450	41,367	4,595,254	4,492,058
Income taxes	2,371,005	2,442,320	-	-	2,371,005	2,442,320
Property taxes	37,470	49,611	-	-	37,470	49,611
Motor vehicle and fuel taxes	1,563,876	1,493,259	-	-	1,563,876	1,493,259
Other taxes	632,896	544,514	-	-	632,896	544,514
Unrestricted investment earnings	77,914	116,614	32,527	29,327	110,441	145,941
Unrestricted grants and contributions	7,222	8,518	3	83,108	7,225	91,626
Miscellaneous revenue	319,873	186,917	26,985	12,447	346,858	199,364
Gain on sale of trust land	137,563	137,565	-	-	137,563	137,565
Total revenues	16,585,901	15,478,822	2,193,636	2,140,481	18,779,537	17,619,303
Expenses:						
General government	694,173	852,417	-	-	694,173	852,417
Health and welfare	6,848,087	5,960,399	-	-	6,848,087	5,960,399
Inspection and regulation	141,673	135,784	-	-	141,673	135,784
Education	4,795,566	4,277,635	-	-	4,795,566	4,277,635
Protection and safety	982,839	931,292	-	-	982,839	931,292
Transportation	598,375	411,108	-	-	598,375	411,108
Natural resources	175,312	152,772	-	-	175,312	152,772
Intergovernmental revenue sharing	2,159,691	2,190,160	-	-	2,159,691	2,190,160
Interest expense	135,775	131,206	-	-	135,775	131,206
Universities	-	-	2,159,216	2,039,832	2,159,216	2,039,832
Unemployment compensation	-	-	455,685	406,406	455,685	406,406
Industrial Commission	-	-	73,586	57,503	73,586	57,503
Lottery	-	-	263,321	239,648	263,321	239,648
Other business-type activities	-	-	107,740	95,164	107,740	95,164
Total expenses	16,531,491	15,042,773	3,059,548	2,838,553	19,591,039	17,881,326
Excess (deficiency) before contributions and transfers	54,410	436,049	(865,912)	(698,072)	(811,502)	(262,023)
Contributions to permanent endowments	-	-	3,037	2,723	3,037	2,723
Transfers	(665,004)	(709,916)	665,004	709,916	-	-
Change in net assets	(610,594)	(273,867)	(197,871)	14,567	(808,465)	(259,300)
Net assets - July 1, as restated	12,578,355	12,852,222	2,931,644	2,917,077	15,509,999	15,769,299
Net assets - June 30	$ 11,967,761	$ 12,578,355	$ 2,733,773	$ 2,931,644	$ 14,701,534	$ 15,509,999

Change in Net Assets

Governmental activities – Net assets decreased by $611 million, or 5%. The School Facilities Board issued revenue bonds in the amount of $332 million and certificates of participation in the approximate amount of $373 million. The debt instruments are being issued to construct or repair K through 12 schools throughout the State. Although the debt instruments are obligations of the State, the constructed and improved schools are the capital assets of the school districts, which are separate and sovereign governmental entities. For each dollar of debt proceeds expended on construction and repair of schools, the State's governmental activities net assets are reduced by one dollar. A comparison of the cost of services by function, net of program revenues, for the State's governmental activities is shown below for fiscal years 2002 and 2003.

	2003 Governmental Activities (expressed in thousands)	2002, as restated, Governmental Activities (expressed in thousands)
Expenses, Net of Program Revenues:		
General government	$ (452,184)	$ (710,810)
Health and welfare	(1,892,128)	(1,620,216)
Inspection and regulation	(16,142)	(9,362)
Education	(4,058,176)	(3,737,181)
Protection and safety	(830,114)	(744,198)
Transportation	6,548	228,870
Natural resources	(107,551)	(79,697)
Intergovernmental revenue sharing	(2,159,691)	(2,190,160)
Interest expense	(135,775)	(131,206)
Total Governmental Activities Expenses, Net of Program Revenues	$ (9,645,213)	$ (8,993,960)



Business-type activities – The net assets decreased by $198 million, or 7%. The decrease in net assets is primarily caused by a one-time lump sum distribution by the U.S. Department of Labor during fiscal year 2002 of Reed Act funding for the unemployment compensation fund in the approximate amount of $145 million. During fiscal year 2003, the unemployment compensation fund received additional federal grant funding of approximately $44 million due to significant increases of unemployment claims from government entities, non-profit organizations and the airline industry. These funding changes for the State's unemployment program primarily reduced operating grant revenue and current assets. The Industrial Commission's net assets decreased $54 million primarily due to medical insurance carriers becoming insolvent during the year. The increase in insolvent medical insurers primarily increased the Industrial Commission's expenses and long-term liabilities. A comparison of the cost of services by business-type, net of program revenues, for the State's business-type activities is shown below for fiscal years 2002 and 2003.

	2003 Business-type Activities (expressed in thousands)	2002, as restated, Business-type Activities (expressed in thousands)
Expenses, Net of Program Revenues:		
Universities	$ (787,776)	$ (864,113)
Unemployment Compensation	(156,906)	5,368
Industrial Commission	(73,586)	(52,233)
Lottery	58,946	55,200
Other	(9,555)	(8,543)
Total Business-Type Activities Expenses, Net of Program Revenues	$ (968,877)	$ (864,321)

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The general government functions are contained in the General, Special Revenue, Debt Service, Capital Projects and Permanent Funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund of the State. At June 30, 2003, unreserved fund balance of the general fund was $343 million, while total fund balance closed the year at $546 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents 2 percent of total expenditures and other financing uses, while total fund balance represents 4 percent of the same amount.

The fund balance of the State's general fund decreased by $202 million during the fiscal year. Most of the decline in fund balance is due to an increase in the Medicaid income eligibility limit approved by a voter initiative in the November 2000 general election. The initiative increased the indigent health care maximum income eligibility limit to 100% of the Federal Poverty Level. The increase of the State's Medicaid population, due to passage of the November 2000 initiative, increased indigent health care entitlement matching by approximately $129 million. General tax revenues of $858 million were appropriated and $109 million came from Tobacco Litigation Settlement receipts. Voters identified the Tobacco Litigation Settlement receipts as the funding source for expanded Medicaid coverage authorized by the initiative passed in the November 2000 general election. If litigation receipts do not cover the State's share of the expanded coverage, the initiative requires general tax dollars to provide the remaining resources. The State's Medicaid program provides healthcare services to 17 percent of Arizona's population.

The education expenditure line item increase of approximately $212 million results primarily from a $191 million increase in basic State aid to education for K through 12 grades. The annual basic State aid to education funding requirements of K through 12 is determined by formula prescribed within Arizona law. The average daily attendance for K through 12 schools increased approximately 55 thousand students during 2003. The "student growth" component of the basic State aid formula for fiscal year 2003 was approximately $248 million above fiscal year 2001 estimated growth amounts.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The transportation and aviation planning, highway maintenance and safety fund is responsible for repair and maintenance of existing roads, paying the debt service for roads that are built from the issuing of revenue bonds, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation. Total fund balance declined approximately $88 million during fiscal year 2003. The fund balance decrease was primarily caused by two non-operating categories of transactions. Debt service funding of long-term obligations, secured by revenue collections, increased approximately $30 million during fiscal year 2003, from approximately $292 million in fiscal year 2002 to approximately $322 million in fiscal year 2003. Payments to other State agencies increased approximately $110 million in fiscal year 2003, from approximately $80 million in fiscal year 2002 to approximately $190 million in fiscal year 2003. These two transaction categories are reported as "transfers out" on the Statement of Revenues, Expenditures, and Changes in Fund Balances on **page 45**.

Land Endowments Fund

The fund was established when the federal government granted Statehood. Both the State constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K through 12 grades. The land endowments fund total fund balance increased $41 million during fiscal year 2003. Unrealized valuation increase for investments at fiscal year end, compared to the initial investment purchase price, is approximately $9 million. Proceeds from the sale of trust land by the Land Department increased by approximately $37 million, from $51 million during fiscal year 2002 to $88 million during fiscal year 2003.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial statements analysis on **page 27**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 115**. Differences between the original budget and the final amended budget resulted in a $245 million increase in appropriations for the General Fund. The following comments summarize current year budgetary results:

- The General Fund appropriations increase of $245 million is comprised primarily of 1) $114 million of prior year obligations that are expended in the current year as allowed by ARS §35-191; 2) $161 million of intra fund cash transfers mandated by the legislature; and 3) a net original budget reduction of $30 million for all general fund agencies. The original General Fund appropriation total was $9.6 billion. The final General Fund appropriation total was $9.8 billion. No State agency's budget was either increased or decreased a significant amount.
- The difference between the final budget and actual expenditures was approximately $327 million. Of this amount, approximately $87 million will continue as legislative multiple fiscal year spending authority for fiscal year 2004 and beyond depending upon the budgetary guidelines of the legislature. The remaining $240 million represents the unused portion of the State's legislatively authorized annual operating budget. Agencies not spending significant amounts of their annual operating legislative budgets were the State's Indigent Health Care Agency (AHCCCS) (approximately $143 million), the Department of Economic Security (approximately $44 million) and the Department of Environmental Quality (approximately $10 million).

Additional budgetary information can be found on pages 136-137 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2003 totaled $15.0 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 7 percent, with a 7 percent increase in capital assets used for governmental activities and a 6 percent increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled $248 million.

Major capital assets activity during the current fiscal year included the following:

- The universities' additions to capital assets totaled approximately $279 million.
- The department of transportation started or completed roads and bridges totaling $835 million during the fiscal year.

For government-wide financial statement presentation, all depreciable assets, except infrastructure using the modified approach, were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2003 are presented below (amounts in thousands):

	Governmental Activities		Business-type Activities		Total	
	2003	2002, as restated	2003	2002, as restated	2003	2002, as restated
Land	$ 1,938,169	$ 1,814,708	$ 135,095	$ 133,523	$ 2,073,264	$ 1,948,231
Buildings	1,196,997	1,063,937	2,232,616	2,100,782	3,429,613	3,164,719
Improvements Other than Buildings	129,035	115,837	2,478	36,920	131,513	152,757
Equipment	585,903	587,084	1,041,291	1,004,226	1,627,194	1,591,310
Collections (non-depreciable)	-	-	33,144	32,528	33,144	32,528
Infrastructure	7,571,377	7,468,539	279,494	213,301	7,850,871	7,681,840
Construction in Progress	2,184,798	1,676,519	133,986	98,572	2,318,784	1,775,091
Less Accumulated Depreciation	(834,350)	(784,482)	(1,674,570)	(1,561,633)	(2,508,920)	(2,346,115)
Total	$ 12,771,929	$ 11,942,142	$ 2,183,534	$ 2,058,219	$ 14,955,463	$ 14,000,361

See footnote 4, capital assets, beginning on **page 82** for additional capital asset data and footnote 8, accounting changes and restatements, beginning on **page 102** for information concerning the University of Arizona's raising it's capitalization threshold to $5,000.

As provided by GASB 34, the State has elected to record its infrastructure assets using the modified approach. Assets accounted for under the modified approach include approximately 6,801 centerline miles (18,129 travel lane miles) and 4,463 bridges that the State is responsible for maintaining.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 poor) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.6 was achieved for fiscal year end 2003.

The State manages its bridges using the Arizona Bridge Information and Storage System (ABISS). The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5 percent or better. In fiscal year 2003 a CRI of 93.9 percent was obtained.

In addition to many smaller projects, the following major highway construction projects in excess of $20 million, were started during fiscal year 2003 (amounts in thousands):

Project Description	Contract Start Date	Contract Amount
Construction on State Route 260 in the vicinity of Camp Verde	10/24/2002	$ 23,376
Construction of a four lane divided highway on the Kohl's Ranch section of State Route 260	5/13/2003	$ 22,785
Construction of two overpasses on Grand Avenue (US 60); one at 43rd Avenue and Camelback Road and another at 51st Avenue and Bethany Home Road	12/24/2002	$ 20,180
Construction of the Santan Freeway (Loop 202) from Dobson Road to Arizona Avenue	6/25/2003	$ 31,919
Construction of HOV lanes, roadway and drainage improvements on SR 51, from Interstate 10 to Shea Boulevard	1/22/2003	$ 84,925

Capital assets financed by debt instruments do not generate funds to repay the debt instruments.

More detailed information regarding capital assets are on pages 82 and 83.

Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9 Section 5, provides that the State may contract debts not to exceed $350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

- The Department of Transportation issued revenue bonds for $422 million to acquire land for future construction of controlled access roads, statewide road construction and early redemption of revenue bonds prior to maturity in the amount of approximately $102 million. The School Facilities Board issued $332 million of revenue bonds to do school repairs at K through 12 public schools throughout the State.

- The School Facilities Board issued $373 million of certificates of participation to acquire and construct leasehold interests in new schools. The schools will be subleased to county school districts. At no time during the construction and sublease of the schools will the lease hold improvements be reported as assets of the State government.

State of Arizona-Primary Government
Outstanding Bonded Long Term Debt as of June 30, 2003
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenue Bonds	$ 2,173,055	$ 1,782,510	$ 597,238	$ 596,403	$ 2,770,293	$ 2,378,913
Grant Anticipation Notes	169,145	182,295	-	-	169,145	182,295
Certificates of Participation	582,511	231,904	429,144	422,010	1,011,655	653,914
Total	$ 2,924,711	$ 2,196,709	$ 1,026,382	$ 1,018,413	$ 3,951,093	$ 3,215,122

See footnote 6, long-term obligations, beginning on **page 88** for both narrative and numeric detail information of the State's long-term debt transactions for fiscal year 2003.

More detailed information regarding long-term debt begins on page 88.

ECONOMIC CONDITION AND OUTLOOK

Arizona's economy continues to add jobs in 2003. In fact, throughout most of 2003, Arizona was ranked in the top 10 fastest job growing states in the nation. However, in the most recent report for July, Arizona slipped to 13th. Notably, some states are gradually improving, while others are struggling with job losses. Global Insight forecasts the nation will show an average loss of jobs in 2003 and recover with modest job growth in 2004.

Arizona's Department of Economic Security, Research Administration (RA) expects Arizona's economy will continue growing, though at a slower pace in 2003 than earlier forecasted. This forecast update shows that Arizona's economy will add more than 82,000 jobs during the forecast period of 2003-04. While jobs grew at a slower than expected rate during the second quarter, and most of the third quarter, momentum is expected to pick up for the remainder of 2003 and into 2004. Most of this stems from improving consumer optimism and business confidence and the expected gradual recovery extending through other geographic regions. Improving economic conditions, for example, are expected in Canada, Mexico, Japan, Europe, and especially Asia over this period.

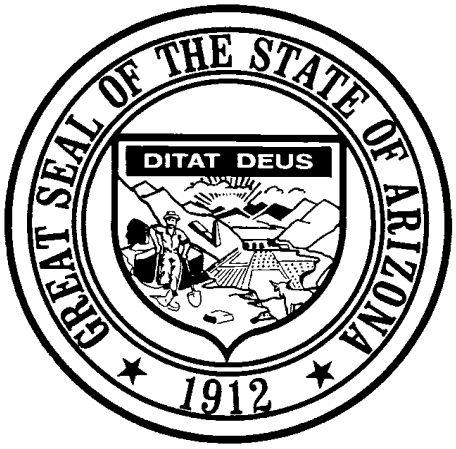
These two mostly cyclical industries have shown sharply different experiences over the recent couple of years. Construction is an industry serving mostly "home-grown" demand. Population growth in Arizona, among the fastest in the Mountain states region, helps to supply the demand for job growth, while the continued low interest rates add to the affordability and attraction of housing and other related products. Manufacturing, on the other hand, is an industry largely serving demand external to our State. With demand levels sharply curtailed in the recent couple of years from other regions, manufacturing firms have struggled to adjust by shedding plant, equipment, and jobs—a process generally referred to as consolidation. Increasingly, however, manufacturing and mining firms have also opted to close, relocate or prioritize their expansion efforts abroad.

Arizona's economy continues to add jobs and the 2003-04 forecast calls for continued job growth with increasing momentum, which thus far has been absent from this growth phase. Sustained business confidence and higher levels of consumer optimism are expected to further invigorate Arizona's economy, especially as economies of other regions show improvement. While manufacturing job losses remain a concern, even these are expected to gradually slow. Continued job losses in this industry are anticipated to dampen an otherwise full economic recovery beyond the forecast 2003-04 period.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at http://www.gao.state.az.us/financials/.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 65**.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BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2003
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash	$ 2,132	$ 93,200	$ 95,332	$ 13,341
Cash with U.S. Treasury	-	860,872	860,872	-
Cash and pooled investments with State Treasurer	1,537,024	169,818	1,706,842	53,497
Cash held by trustee	-	-	-	24,489
Collateral investment pool	-	69,525	69,525	-
Short-term investments	-	50,385	50,385	22,318
Receivables, net of allowances:				
Taxes	363,384	39,659	403,043	-
Interest	21,188	2,946	24,134	1,309
Loans and notes	6,945	8,677	15,622	12,165
Other	80,994	63,178	144,172	44,976
Internal balances	70,672	(70,672)	-	-
Due from U.S. Government	371,860	53,292	425,152	-
Due from local governments	1,618	381	1,999	-
Due from others	9	-	9	-
Inventory of food stamps	86	-	86	-
Inventories, at cost	20,983	26,513	47,496	8,259
Other current assets	5,320	5,009	10,329	1,345
Total Current Assets	2,482,215	1,372,783	3,854,998	181,699
Noncurrent Assets:				
Restricted assets:				
Cash	-	92,446	92,446	-
Cash and pooled investments with State Treasurer	523,845	102,398	626,243	-
Cash held by trustee	120,454	25,809	146,263	-
Investments held by trustee	-	106,561	106,561	22,082
Loans and notes receivable, net of allowances	253,284	52,094	305,378	320,439
Investments	-	342,725	342,725	81,276
Endowment investments	1,119,469	208,783	1,328,252	-
Other noncurrent assets	-	17,429	17,429	56,069
Capital assets:				
Infrastructure, land and other non-depreciable	11,687,740	302,225	11,989,965	10,125
Depreciable buildings, property and equipment	1,918,539	3,555,879	5,474,418	289,567
Less: accumulated depreciation	(834,350)	(1,674,570)	(2,508,920)	(195,040)
Total Noncurrent Assets	14,788,981	3,131,779	17,920,760	584,518
Total Assets	$ 17,271,196	$ 4,504,562	$ 21,775,758	$ 766,217

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2003
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	$ 582,910	$ 74,430	$ 657,340	$ 26,178
Accrued liabilities	297,465	38,269	335,734	10,560
Obligation under securities loan agreements	-	69,525	69,525	-
Tax refunds payable	155	-	155	-
Due to U.S. Government	12,172	164	12,336	-
Due to local governments	365,473	5,152	370,625	-
Due to others	104,031	50,833	154,864	-
Unearned deferred revenue	51,344	91,224	142,568	491
Current portion of accrued insurance losses	-	16,320	16,320	2,671
Current portion of long-term debt	346,354	43,763	390,117	15,695
Current portion of other long-term liabilities	139,135	8,355	147,490	3,482
Total Current Liabilities	1,899,039	398,035	2,297,074	59,077
Noncurrent Liabilities:				
Unearned deferred revenue	6,878	49,470	56,348	1,202
Accrued insurance losses	233,080	223,418	456,498	9,738
Funds held for others	-	31,758	31,758	-
Long-term debt	2,808,222	1,028,875	3,837,097	353,444
Other long-term liabilities	356,216	39,233	395,449	9,359
Total Noncurrent Liabilities	3,404,396	1,372,754	4,777,150	373,743
Total Liabilities	5,303,435	1,770,789	7,074,224	432,820
NET ASSETS				
Invested in capital assets, net of related debt	10,690,782	1,169,864	11,860,646	34,930
Restricted for:				
Federal grants	62,456	-	62,456	-
Capital projects	495,663	21,842	517,505	-
Unemployment compensation	-	893,470	893,470	-
Debt service	30,470	24,715	55,185	8,610
Permanent funds / University funds:				
Expendable	20,082	143,683	163,765	-
Nonexpendable	1,395,750	141,281	1,537,031	-
Loans and other financial assistance	-	63,249	63,249	199,180
Other purposes	21,080	2,763	23,843	-
Unrestricted	(748,522)	272,906	(475,616)	90,677
Total Net Assets	$ 11,967,761	$ 2,733,773	$ 14,701,534	$ 333,397

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF ADMITTED ASSETS, LIABILITIES AND POLICYHOLDERS' SURPLUS
COMPONENT UNITS
STATE COMPENSATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2002
(Reported on Statutory Basis of Accounting)
(Expressed in Thousands)

	STATUTORY BASIS
ADMITTED ASSETS	
Investments:	
Bonds and certificates	$ 1,935,272
Equity securities	156,885
Mortgages	156,293
Properties occupied by the Fund	26,436
Cash and short-term investments	274,320
Total Cash and Invested Assets	2,549,206
Other Assets:	
Premiums receivable	39,825
Electronic data processing equipment	916
Accrued interest and dividends receivable	22,163
Other assets	4,365
Total Admitted Assets	$ 2,616,475
LIABILITIES AND POLICYHOLDERS' SURPLUS	
Liabilities:	$
Liability for incurred but unpaid losses and loss adjustment expenses	1,797,913
Policyholders' advance premiums	55,210
Obligation for return of collateral	212,718
Taxes, licenses, fees and other accrued expenses	10,111
NCCI assigned risk pool liability	21,386
Policyholders' dividends	7,296
Total Liabilities	2,104,634
Policyholders' Surplus:	
Special surplus	30,000
Unassigned surplus	481,841
Total Policyholders' Surplus	511,841
Total Liabilities and Policyholders' Surplus	$ 2,616,475

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

		PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 694,173	$ 106,876	$ 135,113	$ -
Health and welfare	6,848,087	66,117	4,889,842	-
Inspection and regulation	141,673	120,045	5,486	-
Education	4,795,566	12,897	724,493	-
Protection and safety	982,839	77,877	74,398	450
Transportation	598,375	112,466	32,998	459,459
Natural resources	175,312	35,441	31,865	455
Intergovernmental revenue sharing	2,159,691	-	-	-
Interest on long-term debt	135,775	-	-	-
Total Governmental Activities	16,531,491	531,719	5,894,195	460,364
Business-type Activities:				
Universities	2,159,216	675,089	673,261	23,090
Unemployment compensation	455,685	162,561	136,218	-
Industrial Commission	73,586	-	-	-
Lottery	263,321	322,267	-	-
Other	107,740	97,115	1,070	-
Total Business-type Activities	3,059,548	1,257,032	810,549	23,090
Total Primary Government	$ 19,591,039	$ 1,788,751	$ 6,704,744	$ 483,454
COMPONENT UNITS:				
Water Infrastructure Finance Authority	$ 14,533	$ 12,513	$ 7,557	$ -
University Medical Center	280,471	281,048	-	-
Arizona Power Authority	25,833	25,013	-	-
Total Component Units	$ 320,837	$ 318,574	$ 7,557	$ -
General Revenues:				
Taxes:				
Sales				
Income				
Property				
Motor vehicle and fuel				
Other				
Unrestricted investment earnings				
Unrestricted grants and contributions				
Miscellaneous				
Contributions to permanent endowments				
Gain on sale of trust land				
Transfers				
Total General Revenues, Contributions, Gains and Transfers				
Change in Net Assets				
Net Assets - Beginning, as restated				
Net Assets - Ending				

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ (452,184)		$ (452,184)	
(1,892,128)		(1,892,128)	
(16,142)		(16,142)	
(4,058,176)		(4,058,176)	
(830,114)		(830,114)	
6,548		6,548	
(107,551)		(107,551)	
(2,159,691)		(2,159,691)	
(135,775)		(135,775)	
(9,645,213)		(9,645,213)	
	$ (787,776)	(787,776)	
	(156,906)	(156,906)	
	(73,586)	(73,586)	
	58,946	58,946	
	(9,555)	(9,555)	
	(968,877)	(968,877)	
(9,645,213)	(968,877)	(10,614,090)	
			$ 5,537
			577
			(820)
			5,294
4,551,804	43,450	4,595,254	-
2,371,005	-	2,371,005	-
37,470	-	37,470	-
1,563,876	-	1,563,876	-
632,896	-	632,896	-
77,914	32,527	110,441	8,006
7,222	3	7,225	-
319,873	26,985	346,858	-
-	3,037	3,037	-
137,563	-	137,563	-
(665,004)	665,004	-	-
9,034,619	771,006	9,805,625	8,006
(610,594)	(197,871)	(808,465)	13,300
12,578,355	2,931,644	15,509,999	320,097
$ 11,967,761	$ 2,733,773	$ 14,701,534	$ 333,397

STATE OF ARIZONA
STATEMENTS OF OPERATIONS AND CHANGES IN POLICYHOLDERS' SURPLUS
COMPONENT UNITS
STATE COMPENSATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2002
(Reported on Statutory Basis of Accounting)
(Expressed in Thousands)

	STATUTORY BASIS
Net premiums earned	$ 276,167
Compensation and medical benefits incurred	244,636
Loss expenses incurred	22,330
Underwriting and administrative expenses	18,972
Taxes and fees	5,061
Total Operating Expenses	290,999
Net Underwriting Loss	(14,832)
Net investment income, net of expenses of $6,588	134,914
Net realized capital loss	(14,471)
Net Investment Gain	120,443
Other income	1,415
NCCI assigned risk pool loss	(1,381)
Net Income before Policyholders' Dividends	105,645
Provision for policyholders' dividends	(50,000)
Net Income	$ 55,645
STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS	
Balance, Beginning of Year	$ 470,190
Net income	55,645
Change in non-admitted assets	(2,530)
Adjustment to policyholders' dividend liability	9,084
Net unrealized capital losses	(20,548)
Balance, End of Year	$ 511,841

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	$ 719	$ -	$ 28	$ 1,385	$ 2,132
Cash and pooled investments with State Treasurer	564,659	151,425	60,203	691,158	1,467,445
Receivables, net of allowances:					
Taxes	286,869	68,683	-	7,832	363,384
Interest	15,697	861	2,143	2,476	21,177
Loans and notes	-	-	260,229	-	260,229
Other	26,718	18,366	548	22,801	68,433
Due from U.S. Government	148,021	69,929	-	153	218,103
Due from local governments	1,577	41	-	-	1,618
Due from others	-	-	-	9	9
Due from other Funds	276,216	20,264	291	57,607	354,378
Inventory of food stamps	86	-	-	-	86
Inventories, at cost	11,300	4,693	-	2,607	18,600
Restricted assets:					
Cash and pooled investments with State Treasurer	18,259	312,889	-	192,697	523,845
Cash held by trustee	86,843	-	-	33,611	120,454
Endowment investments	-	-	1,119,469	-	1,119,469
Other	344	-	-	27	371
Total Assets	$ 1,437,308	$ 647,151	$ 1,442,911	$ 1,012,363	$ 4,539,733
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 249,550	$ 78,110	$ 7,371	$ 211,183	$ 546,214
Accrued liabilities	92,790	7,025	16	9,374	109,205
Tax refunds payable	155	-	-	-	155
Due to U.S. Government	12,172	-	-	-	12,172
Due to local governments	267,808	96,473	-	1,192	365,473
Due to others	103,805	-	-	226	104,031
Due to other Funds	36,992	178,250	24,853	50,101	290,196
Unavailable deferred revenue	95,039	9,854	262,807	1,938	369,638
Unearned deferred revenue	32,575	-	23,681	1,966	58,222
Notes payable	-	8,031	-	-	8,031
Total Liabilities	890,886	377,743	318,728	275,980	1,863,337
Fund Balances:					
Reserved for:					
Budget stabilization fund	13,737	-	-	-	13,737
Highway construction	-	182,637	-	159,687	342,324
Other construction	-	-	-	33,477	33,477
School facilities improvements	101,944	-	-	33,893	135,837
Permanent funds	-	-	1,123,523	-	1,123,523
Continuing appropriations	87,131	62,792	660	26,786	177,369
Debt service	-	2,241	-	21,032	23,273
Other fund balance reservations	598	24,693	-	14,252	39,543
Unreserved	343,012	(2,955)	-	-	340,057
Unreserved reported in:					
Nonmajor special revenue funds	-	-	-	447,256	447,256
Total Fund Balances	546,422	269,408	1,124,183	736,383	2,676,396
Total Liabilities and Fund Balances	$ 1,437,308	$ 647,151	$ 1,442,911	$ 1,012,363	$ 4,539,733

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003
(Expressed in Thousands)

Total fund balances - governmental funds		$ 2,676,396
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		12,710,537
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		369,638
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(131,296)
The allocation of internal service fund net loss results in an amount due from business-type activities, which is not reported in the funds.		42
Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		3,049
Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the funds. These amounts consist of:		
Revenue bonds	(2,173,055)	
Premium on revenue bonds	(70,222)	
Grant anticipation notes	(169,145)	
Certificates of participation	(582,511)	
Premium on certificates of participation	(38,510)	
Capital leases	(104,644)	
Installment purchase contracts	(5,707)	(3,143,794)
Accrued liabilities for AHCCCS programmatic costs are not due and payable from current financial resources and, therefore, are not reported in the funds.		(189,648)
Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds. Those liabilities consist of:		
Compensated absences	(134,136)	
Claims and judgements	(350,814)	(484,950)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. Those assets consist of:		
AHCCCS programmatic cost reimbursements	151,723	
Other long-term assets	6,064	157,787
Net assets of governmental activities		$ 11,967,761

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

	GENERAL	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	$ 3,831,421	$ 268,721	$ -	$ 455,247	$ 4,555,389
Income	2,387,340	-	-	29	2,387,369
Property	29,407	6,026	-	2,037	37,470
Motor vehicle and fuel	7,723	1,523,361	-	32,792	1,563,876
Other	423,939	-	-	208,957	632,896
Intergovernmental	5,551,059	492,457	25	97,677	6,141,218
Licenses, fees and permits	81,041	107,530	-	131,993	320,564
Earnings on investments	21,641	2,281	33,959	53,890	111,771
Sales and charges for services	68,064	717	9,333	33,324	111,438
Fines, forfeitures and penalties	10,700	-	-	85,492	96,192
Other	247,293	17,166	8,917	64,554	337,930
Total Revenues	12,659,628	2,418,259	52,234	1,165,992	16,296,113
EXPENDITURES					
Current:					
General government	595,951	-	454	93,198	689,603
Health and welfare	6,312,800	-	5,300	334,561	6,652,661
Inspection and regulation	49,390	-	-	90,473	139,863
Education	3,811,254	-	70,267	1,000,995	4,882,516
Protection and safety	829,850	-	2,571	93,246	925,667
Transportation	62	455,301	-	8,393	463,756
Natural resources	45,182	-	1,387	117,377	163,946
Intergovernmental revenue sharing	1,202,634	957,057	-	-	2,159,691
Debt service:					
Principal	8,079	-	166	289,263	297,508
Interest and other fiscal charges	3,958	2,780	-	133,875	140,613
Capital outlay	172,440	602,435	-	266,163	1,041,038
Total Expenditures	13,031,600	2,017,573	80,145	2,427,544	17,556,862
Excess (Deficiency) of Revenues Over Expenditures	(371,972)	400,686	(27,911)	(1,261,552)	(1,260,749)
OTHER FINANCING SOURCES (USES)					
Transfers in	464,338	22,785	400	566,339	1,053,862
Transfers out	(796,436)	(511,110)	(19,123)	(363,774)	(1,690,443)
Proceeds from sale of trust land	-	-	88,066	-	88,066
Capital lease and installment purchase contracts	100,721	-	-	752	101,473
Refunding bonds issued	-	-	-	90,530	90,530
Payment to refunded bond escrow agent	-	-	-	(107,735)	(107,735)
Bonds issued	-	-	-	662,975	662,975
Premium on bonds issued	-	-	-	46,377	46,377
Refunding certificates of participation issued	-	-	-	75,295	75,295
Payment to refunded certificates of participation escrow agent	-	-	-	(80,713)	(80,713)
Certificates of participation issued	372,730	-	-	-	372,730
Premium on certificates of participation issued	28,768	-	-	5,418	34,186
Total Other Financing Sources (Uses)	170,121	(488,325)	69,343	895,464	646,603
Net Change in Fund Balances	(201,851)	(87,639)	41,432	(366,088)	(614,146)
Fund Balances - Beginning, as restated	748,273	357,047	1,082,751	1,102,471	3,290,542
Fund Balances - Ending	$ 546,422	$ 269,408	$ 1,124,183	$ 736,383	$ 2,676,396

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (614,146)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	1,041,038	
Depreciation expense	(85,087)	955,951
The net loss of internal service funds that is included with governmental activities in the Statement of Activities.		(28,628)
Some revenues reported in the Statement of Activities are not currently available at year-end and are not reported as revenue in the governmental funds.		
Operating grants	163,355	
Gain on sale of trust land	49,497	
Gain on sale of capital assets	3,723	
Fees and licenses	4,219	
Other revenue	877	221,671
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities.		
Sales and use taxes	(3,585)	
Income taxes	(16,364)	(19,949)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
AHCCCS accrued programmatic costs	(189,648)	
Litigation	(814)	
Accrued infrastructure asset preservation	(122,215)	
Compensated absences	(4,847)	
Other noncurrent expenses	(295)	(317,819)
The Roosevelt School District settlement, which was accrued at the government-wide level in fiscal year 2002, has been reversed, in the State's favor, by the Arizona State Court of Appeals. This accrual was not financed from current financial resources in fiscal year 2002 and, therefore, was not reported in the fund statements in fiscal year 2002.		88,000

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
New bonds issued	(662,975)	
Refunding bonds issued	(90,530)	
Premium on bonds issued	(46,377)	
Bond premium amortization	3,852	
New certificates of participation issued	(372,730)	
Premium on COPs issued	(34,186)	
COP premium amortization	350	
Refunding certificates of participation issued	(75,295)	(1,277,891)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Debt service principal	297,508	
Payment to refunded bond escrow agent	103,045	
Payment to refunded certificates of participation escrow agent	80,713	
Bond issuance costs	2,424	483,690
Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds, however, these amounts are reported as liabilities in the Statement of Net Assets.		(101,473)
Change in net assets of governmental activities		$ (610,594)

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash	$ 86,749	$ 29	$ 6,087	$ 3	$ 332
Cash with U.S. Treasury	-	860,872	-	-	-
Cash and pooled investments with State Treasurer	115,978	-	308	34,936	18,596
Collateral investment pool	34,251	-	35,274	-	-
Short-term investments	50,325	-	-	-	60
Receivables, net of allowances:					
Taxes	-	39,659	-	-	-
Interest	582	-	2,054	-	310
Loans and notes	4,320	-	-	-	4,357
Other	40,274	11,692	17	6,429	4,766
Due from U.S. Government	53,234	-	-	-	58
Due from local governments	-	-	-	-	381
Due from other Funds	-	-	-	-	109,632
Inventories, at cost	17,326	-	-	1,248	7,939
Other current assets	4,442	-	-	-	567
Total Current Assets	407,481	912,252	43,740	42,616	146,998
Noncurrent Assets:					
Restricted assets:					
Cash	92,446	-	-	-	-
Cash and pooled investments with State Treasurer	-	-	-	-	102,398
Cash held by trustee	25,809	-	-	-	-
Investments held by trustee	103,174	-	3,387	-	-
Loans and notes receivable, net of allowances	27,838	-	-	-	24,256
Investments	157,321	-	185,404	-	-
Endowment investments	208,783	-	-	-	-
Other long-term assets	10,227	-	-	7,023	179
Capital assets:					
Infrastructure, land and other non-depreciable	296,227	-	2,997	938	2,063
Depreciable buildings, property and equipment	3,465,743	-	27,303	7,246	55,587
Less: accumulated depreciation	(1,628,342)	-	(5,584)	(4,747)	(35,897)
Total Noncurrent Assets	2,759,226	-	213,507	10,460	148,586
Total Assets	3,166,707	912,252	257,247	53,076	295,584
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	67,773	-	1,272	3,591	1,794
Accrued liabilities	23,697	11,319	-	-	3,253
Obligation under securities loan agreements	34,251	-	35,274	-	-
Due to U.S. Government	-	164	-	-	-
Due to local governments	-	-	-	5,152	-
Due to others	16,973	6,998	-	26,776	86
Due to other Funds	-	301	-	7,130	172,831
Unearned deferred revenue	83,103	-	-	-	8,121
Current portion of accrued insurance losses	-	-	16,320	-	-
Current portion of long-term debt	42,314	-	1,400	-	49
Current portion of other long-term liabilities	7,201	-	-	397	757
Total Current Liabilities	275,312	18,782	54,266	43,046	186,891
Noncurrent Liabilities:					
Unearned deferred revenue	49,470	-	-	-	-
Accrued insurance losses	-	-	223,418	-	-
Funds held for others	31,758	-	-	-	-
Long-term debt	1,024,195	-	4,600	-	80
Other long-term liabilities	39,165	-	-	-	68
Total Noncurrent Liabilities	1,144,588	-	228,018	-	148
Total Liabilities	1,419,900	18,782	282,284	43,046	187,039

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 93,200	$ -
860,872	-
169,818	69,579
69,525	-
50,385	-
39,659	-
2,946	11
8,677	-
63,178	10,527
53,292	-
381	-
109,632	6,465
26,513	2,383
5,009	1,900
1,553,087	90,865
92,446	-
102,398	-
25,809	-
106,561	-
52,094	-
342,725	-
208,783	-
17,429	-
302,225	21
3,555,879	193,880
(1,674,570)	(132,509)
3,131,779	61,392
4,684,866	152,257
74,430	36,697
38,269	607
69,525	-
164	-
5,152	-
50,833	-
180,262	17
91,224	-
16,320	-
43,763	182
8,355	7,047
578,297	44,550
49,470	-
223,418	233,080
31,758	-
1,028,875	2,569
39,233	3,354
1,372,754	239,003
1,951,051	283,553

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
NET ASSETS					
Invested in capital assets, net of related debt	1,137,137	-	18,715	3,437	10,575
Restricted for:					
Capital projects	21,842	-	-	-	-
Unemployment compensation	-	893,470	-	-	-
Debt service	21,328	-	3,387	-	-
Loans and other financial assistance	-	-	-	-	63,249
University funds:					
Expendable	143,683	-	-	-	-
Nonexpendable	141,281	-	-	-	-
Other purposes	-	-	21	-	2,742
Unrestricted	281,536	-	(47,160)	6,593	31,979
Total Net Assets	$ 1,746,807	$ 893,470	$ (25,037)	$ 10,030	$ 108,545

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
1,169,864	58,641
21,842	-
893,470	-
24,715	-
63,249	-
143,683	-
141,281	-
2,763	-
272,948	(189,937)
$ 2,733,815	$ (131,296)
(42)	
$ 2,733,773	

STATE OF ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Pledged student tuition and fees, net of scholarship allowances of $98,081	$ 409,048	$ -	$ -	$ -	$ -
Pledged auxiliary enterprises, net of scholarship allowances of $5,938	226,102	-	-	-	-
Pledged educational department	39,939	-	-	-	-
Lottery	-	-	-	322,267	-
Other	-	-	-	-	92,454
Unemployment assessments	-	160,963	-	-	-
Intergovernmental (revenues for Universities are pledged)	509,925	78,823	-	-	1,070
Pledged nongovernmental grants and contracts	88,420	-	-	-	-
Licenses, fees and permits	-	-	-	-	780
Earnings on investments	-	-	-	-	3,881
Fines, forfeitures and penalties	-	1,598	-	-	-
Other (revenues for Universities are pledged)	15,553	22	950	305	1,974
Total Operating Revenues	1,288,987	241,406	950	322,572	100,159
OPERATING EXPENSES					
Cost of sales and benefits	506,100	455,685	69,355	209,657	67,594
Interest on notes payable	-	-	-	-	6,009
Scholarships and fellowships	84,157	-	-	-	-
Personal services	1,365,638	-	-	5,259	21,783
Contractual services	-	-	-	9,225	4,954
Depreciation and amortization	144,274	-	1,082	269	2,807
Insurance	-	-	-	35	566
Other	-	-	4	2,232	4,026
Total Operating Expenses	2,100,169	455,685	70,441	226,677	107,739
Operating Income (Loss)	(811,182)	(214,279)	(69,491)	95,895	(7,580)
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	43,450	-	-	-	-
Gain (loss) on sale of capital assets	(519)	-	-	-	(8)
Investment income (revenues for Universities are pledged)	13,277	57,395	16,486	-	2,764
Endowment earnings on investments	7,704	-	-	-	-
Other non-operating revenue	6,450	-	1,874	384	-
Distributions to local governments	-	-	-	(36,644)	-
Interest expense	(46,306)	-	(150)	-	(1)
Other non-operating expense	(10,219)	-	(2,995)	-	-
Total Non-Operating Revenues (Expenses)	13,837	57,395	15,215	(36,260)	2,755
Income (Loss) Before Contributions and Transfers	(797,345)	(156,884)	(54,276)	59,635	(4,825)
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	67,212	-	-	-	3
Capital grants and contributions	23,090	-	-	-	-
Contributions to permanent endowments	3,037	-	-	-	-
Transfers in	746,908	-	-	-	7,281
Transfers out	-	(5,189)	-	(59,066)	(24,930)
Total Contributions and Transfers	840,247	(5,189)	-	(59,066)	(17,646)
Change in Net Assets	42,902	(162,073)	(54,276)	569	(22,471)
Total Net Assets - Beginning, as restated	1,703,905	1,055,543	29,239	9,461	131,016
Total Net Assets - Ending	$ 1,746,807	$ 893,470	$ (25,037)	$ 10,030	$ 108,545

Change in net assets of enterprise funds
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 409,048	$ -
226,102	-
39,939	-
322,267	-
92,454	572,009
160,963	-
589,818	-
88,420	-
780	-
3,881	-
1,598	-
18,804	687
1,954,074	572,696
1,308,391	454,239
6,009	-
84,157	-
1,392,680	25,321
14,179	27,902
148,432	14,959
601	45,796
6,262	7,414
2,960,711	575,631
(1,006,637)	(2,935)
43,450	-
(527)	238
89,922	101
7,704	-
8,708	-
(36,644)	-
(46,457)	(253)
(13,214)	-
52,942	86
(953,695)	(2,849)
67,215	122
23,090	-
3,037	-
754,189	41
(89,185)	(28,464)
758,346	(28,301)
(195,349)	(31,150)
2,929,164	(100,146)
$ 2,733,815	$ (131,296)
$ (195,349)	
(2,522)	
$ (197,871)	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ -	$ 318,772	$ 97,997
Receipts from assessments	-	160,749	-	-	-
Receipts from student loans collected	9,481	-	-	-	-
Receipts from sales and services of auxiliary enterprises	226,231	-	-	-	-
Receipts from sales and services of educational departments	38,743	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from student tuition and fees	412,583	-	-	-	-
Receipts from federal and local governments	591,074	78,823	-	-	-
Receipts from uninsured claims	-	-	949	-	-
Transfers from other Funds	-	-	-	-	85,455
Payments to suppliers, prize winners, claimants, insurance companies or beneficiaries	(503,871)	(465,884)	(17,020)	(219,416)	(74,160)
Payments to employees	(1,361,163)	-	-	(5,253)	(21,611)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(80,699)	-	-	-	-
Payments for student loans issued	(9,704)	-	-	-	-
Transfers to other Funds	-	-	-	-	(116,306)
Other receipts	20,771	1,620	-	305	1,973
Net Cash Provided (Used) by Operating Activities	(656,554)	(224,692)	(16,071)	94,408	(26,652)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Custodial funds received	115,213	-	-	-	-
Office rental receipts	-	-	1,872	-	-
Share of State sales tax receipts	38,029	-	-	-	-
Grants and contributions received	367,623	-	-	-	-
Transfers from other Funds	746,853	-	-	-	9,110
Interest paid	-	-	-	-	-
Custodial funds disbursed	(99,138)	-	-	-	-
Grants and contributions disbursed	(299,509)	-	-	-	-
Distributions to local governments	-	-	-	(26,831)	-
Transfers to other Funds	-	(5,114)	-	(61,413)	(26,753)
Other receipts (payments)	-	-	(1,594)	384	-
Net Cash Provided (Used) by Non-capital Financing Activities	869,071	(5,114)	278	(87,860)	(17,643)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	3,577	-	-	-	-
Proceeds from capital debt	53,128	-	-	-	-
Capital grants and contributions received	15,288	-	-	-	3
Acquisition and construction of capital assets	(265,823)	-	(2,236)	(1)	(723)
Interest paid on capital debt, installment purchase contracts and capital leases	(47,101)	-	(166)	-	-
Principal paid on capital debt, installment purchase contracts and capital leases	(50,883)	-	(1,400)	-	-
Other (payments)	-	-	(23)	-	-
Net Cash (Used) by Capital and Related Financing Activities	(291,814)	-	(3,825)	(1)	(720)

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
$ 416,769	$ -
160,749	-
9,481	-
226,231	-
38,743	-
-	569,775
412,583	-
669,897	-
949	-
85,455	-
(1,280,351)	(526,890)
(1,388,027)	(25,350)
-	(10,195)
(80,699)	-
(9,704)	-
(116,306)	-
24,669	718
(829,561)	8,058
115,213	-
1,872	-
38,029	-
367,623	-
755,963	41
-	(253)
(99,138)	-
(299,509)	-
(26,831)	-
(93,280)	(28,464)
(1,210)	-
758,732	(28,676)
3,577	-
53,128	-
15,291	-
(268,783)	(3,492)
(47,267)	-
(52,283)	(4,430)
(23)	-
(296,360)	(7,922)

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION	LOTTERY	OTHER
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	684,606	-	146,172	-	-
Interest and dividends from investments	19,291	57,395	2,505	-	3,216
Change in cash collateral received from securities lending transactions	-	-	2,057	-	-
Purchase of investments	(664,452)	-	(130,422)	-	(60)
Other (payments)	-	-	(1,295)	-	-
Net Cash Provided by Investing Activities	39,445	57,395	19,017	-	3,156
Net Increase (Decrease) in Cash and Cash Equivalents	(39,852)	(172,411)	(601)	6,547	(41,859)
Cash and Cash Equivalents - Beginning, as restated	360,834	1,033,312	42,270	28,392	163,185
Cash and Cash Equivalents - Ending	$ 320,982	$ 860,901	$ 41,669	$ 34,939	$ 121,326
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (811,182)	$ (214,279)	$ (69,491)	$ 95,895	$ (7,580)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	144,274	-	1,082	269	2,807
Miscellaneous nonoperating revenues	-	-	-	-	-
Net changes in assets and liabilities:					
(Increase) in receivables, net of allowances	(10,667)	(6,257)	-	(3,495)	(30,893)
(Increase) in due from U.S. Government	-	-	-	-	(8)
(Increase) decrease in due from local governments	-	-	-	-	(203)
(Increase) in due from other Funds	-	-	-	-	(717)
(Increase) decrease in inventories, at cost	(1,129)	-	-	604	1,249
(Increase) decrease in other assets	1,121	-	-	(313)	112
Increase (decrease) in accounts payable	18,980	-	265	1,442	(560)
Increase in accrued liabilities	4,300	1,376	-	-	2,048
Increase (decrease) in due to U.S. Government	-	158	-	-	-
Increase (decrease) in due to others	47	(5,690)	-	-	(79)
Increase (decrease) in due to other Funds	-	-	-	-	6,109
Increase (decrease) in deferred revenue	(2,298)	-	-	-	869
Increase (decrease) in accrued insurance losses	-	-	52,073	-	-
Increase (decrease) in other liabilities	-	-	-	6	194
Net Cash Provided (Used) by Operating Activities	$ (656,554)	$ (224,692)	$ (16,071)	$ 94,408	$ (26,652)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Donated equipment	$ -	$ -	$ -	$ -	$ 3
Gifts and conveyances of capital assets	4,362	-	-	-	-
Assets acquired under capital leases	597	-	-	-	-
Change in fair value of investments	5,131	-	7,000	-	-
Amortization of bond discount and issuance costs	(960)	-	-	-	-
Amortization of loss on refunding and bond premium	829	-	-	-	-
(Loss) on disposal of capital assets, net	(1,686)	-	-	-	(3)
Amortization of deferred rent	4,900	-	-	-	-
Refinancing of long-term debt	60,845	-	-	-	-
Total Noncash Investing, Capital and Financing Activities	$ 74,018	$ -	$ 7,000	$ -	$ -

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE
830,778	-
82,407	113
2,057	-
(794,934)	-
(1,295)	-
119,013	113
(248,176)	(28,427)
1,627,993	98,006
$ 1,379,817	$ 69,579

$ (1,006,637)	$ (2,935)
148,432	14,959
-	2,983
(51,312)	(4)
(8)	-
(203)	38
(717)	(4,413)
724	(54)
920	1,040
20,127	(503)
7,724	96
158	(838)
(5,722)	-
6,109	(242)
(1,429)	-
52,073	(1,251)
200	(818)
$ (829,561)	$ 8,058

$ 3	$ -
4,362	-
597	556
12,131	-
(960)	-
829	-
(1,689)	-
4,900	-
60,845	-
$ 81,018	$ 556

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	AGENCY FUNDS	TOTAL
ASSETS				
Cash	$ 15,099	$ -	$ 28,948	$ 44,047
Cash and pooled investments with State Treasurer	-	-	160,742	160,742
Short-term investments	-	-	2,978	2,978
Receivables, net of allowances:				
Accrued interest and dividends	95,942	5,636	140	101,718
Securities sold	336,946	-	-	336,946
Forward contract receivable	6,818	-	-	6,818
Contributions	15,687	-	-	15,687
Court fees	310	-	-	310
Miscellaneous receivables	1,805	-	764	2,569
Total receivables	457,508	5,636	904	464,048
Due from others	-	-	89,170	89,170
Investments, at fair value:				
Temporary investments	1,081,982	-	-	1,081,982
Temporary investments from securities lending	2,248,014	-	-	2,248,014
United States Government securities	3,724,917	2,187,195	-	5,912,112
Corporate bonds	2,341,338	1,006,405	-	3,347,743
Corporate notes	296,229	-	-	296,229
Corporate stocks	16,265,708	-	-	16,265,708
Real estate mortgages and contracts	30,212	-	-	30,212
Collateral investment pool	1,305,921	-	-	1,305,921
Other investments	266,236	-	-	266,236
Money market fund	2,955	-	-	2,955
Total investments	27,563,512	3,193,600	-	30,757,112
Custodial securities in safekeeping	-	-	2,966,075	2,966,075
Other assets	-	-	2,295	2,295
Property and equipment, net of accumulated depreciation	445	-	-	445
Total Assets	28,036,564	3,199,236	3,251,112	34,486,912
LIABILITIES				
Accounts payable and other current liabilities	10,399	-	111,715	122,114
Payable for securities purchased	1,017,264	-	-	1,017,264
Accrued liabilities	-	-	6,123	6,123
Obligation under securities loan agreements	3,553,925	-	-	3,553,925
Due to local governments	-	6,692	3,273	9,965
Due to others	-	-	3,130,001	3,130,001
Total Liabilities	4,581,588	6,692	3,251,112	7,839,392
NET ASSETS				
Held in trust for:				
Pension benefits	23,454,976	-	-	23,454,976
Pool participants	-	3,192,544	-	3,192,544
Total Net Assets	$ 23,454,976	$ 3,192,544	$ -	$ 26,647,520

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	PENSION TRUSTS	INVESTMENT TRUSTS	TOTAL
ADDITIONS:			
Member contributions	$ 279,781	$ -	$ 279,781
Employer contributions	235,543	-	235,543
Member purchase of service credit	91,568	-	91,568
Court fees	3,568	-	3,568
Investment income:			
Net increase in fair value of investments	93,400	1,789	95,189
Interest income	385,796	64,011	449,807
Dividends	180,004	-	180,004
Real estate	7,774	-	7,774
Other investment income	2,840	-	2,840
Securities lending income	32,445	-	32,445
Total investment income	702,259	65,800	768,059
Less investment expenses:			
Investment activity expenses	23,341	2,734	26,075
Security lending expenses	24,786	-	24,786
Net investment income	654,132	63,066	717,198
Capital share and individual account transactions:			
Shares sold	-	5,837,339	5,837,339
Reinvested interest income	-	64,418	64,418
Shares redeemed	-	(6,283,033)	(6,283,033)
Net capital share and individual account transactions	-	(381,276)	(381,276)
Other additions	8,447	-	8,447
Total Additions	1,273,039	(318,210)	954,829
DEDUCTIONS:			
Retirement and disability benefits	1,460,855	-	1,460,855
Death benefits	15,861	-	15,861
Refunds to withdrawing members, including interest	58,537	-	58,537
Administrative expense	25,494	-	25,494
Dividends to investors	-	63,066	63,066
Other deductions	15,338	-	15,338
Total Deductions	1,576,085	63,066	1,639,151
Change in net assets held in trust for:			
Pension benefits	(303,046)	-	(303,046)
Pool participants	-	(381,276)	(381,276)
Net Assets - Beginning	23,758,022	3,573,820	27,331,842
Net Assets - Ending	$ 23,454,976	$ 3,192,544	$ 26,647,520

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2003
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	TOTAL
ASSETS				
Current Assets:				
Cash	$ -	$ 13,341	$ -	$ 13,341
Cash and pooled investments with State Treasurer	47,504	-	5,993	53,497
Cash held by trustee	21,794	-	2,695	24,489
Short-term investments	-	22,318	-	22,318
Receivables, net of allowances:				
Interest	1,168	-	141	1,309
Loans and notes	12,165	-	-	12,165
Other	-	42,790	2,186	44,976
Inventories, at cost	-	8,259	-	8,259
Other current assets	-	-	1,345	1,345
Total Current Assets	82,631	86,708	12,360	181,699
Noncurrent Assets:				
Restricted assets:				
Investments held by trustee	-	12,343	9,739	22,082
Loans and notes receivable, net of allowances	320,439	-	-	320,439
Investments	73,458	7,818	-	81,276
Other noncurrent assets	2,655	3,895	49,519	56,069
Capital assets:				
Land and other nondepreciable	-	10,125	-	10,125
Depreciable buildings, property and equipment	82	288,306	1,179	289,567
Less: accumulated depreciation	(57)	(193,965)	(1,018)	(195,040)
Total Noncurrent Assets	396,577	128,522	59,419	584,518
Total Assets	479,208	215,230	71,779	766,217
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	13	24,525	1,640	26,178
Accrued liabilities	3,823	5,843	894	10,560
Unearned deferred revenue	491	-	-	491
Current portion of accrued insurance losses	-	2,671	-	2,671
Current portion of long-term debt	10,515	2,860	2,320	15,695
Current portion of other long-term liabilities	59	3,423	-	3,482
Total Current Liabilities	14,901	39,322	4,854	59,077
Noncurrent Liabilities:				
Unearned deferred revenue	1,202	-	-	1,202
Accrued insurance losses	-	9,738	-	9,738
Long-term debt	224,438	65,012	63,994	353,444
Other long-term liabilities	-	9,359	-	9,359
Total Noncurrent Liabilities	225,640	84,109	63,994	373,743
Total Liabilities	240,541	123,431	68,848	432,820
NET ASSETS				
Invested in capital assets, net of related debt	25	34,744	161	34,930
Restricted for:				
Debt service	-	8,610	-	8,610
Loans and other financial assistance	199,180	-	-	199,180
Unrestricted	39,462	48,445	2,770	90,677
Total Net Assets	$ 238,667	$ 91,799	$ 2,931	$ 333,397

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

		PROGRAM REVENUES			GENERAL REVENUES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE	UNRESTRICTED INVESTMENT EARNINGS
FUNCTIONS/PROGRAMS					
Water Infrastructure Finance Authority	$ 14,533	$ 12,513	$ 7,557	$ 5,537	$ 6,419
University Medical Center (charges for services are net of provision for bad debts of $17,757)	280,471	281,048	-	577	960
Arizona Power Authority	25,833	25,013	-	(820)	627
Total	$ 320,837	$ 318,574	$ 7,557	$ 5,294	$ 8,006

The Notes to the Financial Statements are an integral part of this statement.

CHANGE IN NET ASSETS	TOTAL NET ASSETS - BEGINNING, AS RESTATED	TOTAL NET ASSETS - ENDING
$ 11,956	$ 226,711	$ 238,667
1,537	90,262	91,799
(193)	3,124	2,931
$ 13,300	$ 320,097	$ 333,397

STATE OF ARIZONA
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The State of Arizona is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units.

Component units are legally separate entities for which the State is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of a government's operations. Therefore, data from these units is combined with data of the primary government. The State has no blended component units. Discretely presented component units, however, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the State. Additionally, the State Compensation Fund is presented as a separate statement from the other discretely presented component units because it is reported on a statutory basis of accounting. Each discretely presented component unit discussed below has a June 30 year-end, with the exception of the State Compensation Fund. The State Compensation Fund's financial information is for the calendar year ended December 31, 2002.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units

State Compensation Fund – The State Compensation Fund provides insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical and hospital benefits. The Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members. The State is required by statute to review and approve the operating and capital outlay budget of the Fund. Complete financial statements may be obtained from the State Compensation Fund's administrative offices.

State Compensation Fund
3031 North 2nd Street
Phoenix, Arizona 85012
(602) 631-2000

University Medical Center (UMC) – The UMC is the primary teaching hospital for the College of Medicine, College of Nursing and the College of Pharmacy of the University of Arizona. The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a not-for-profit corporation. Although an autonomous entity was created, the teaching missions and research alliances with the University of Arizona and the State of Arizona remained. The ABOR confirms all members of the UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the University Medical Center's administrative offices.

The University Medical Center
655 East River Road
Tucson, Arizona 85704
(520) 694-2700

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydroelectric power plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five electors appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the Arizona Power Authority's administrative offices.

The Arizona Power Authority
1810 West Adams Street
Phoenix, Arizona 85007-2697
(602) 542-4263

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors appointed by the Governor. Directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the Water Infrastructure Finance Authority's administrative offices.

The Water Infrastructure Finance Authority
1100 West Washington, Suite 290
Phoenix, Arizona 85007
(602) 364-1310

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable. The State's accountability for these organizations does not extend beyond making the appointments. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – The Authority issues tax-exempt bonds and loans for the purpose of reducing health care costs and improving health care for Arizona residents by providing less expensive financing for health care institutions. Proceeds from bond issues are loaned to various qualifying nonprofit health care institutions. The health care institutions reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed only for cause.

Arizona International Development Authority (the Authority) – The Authority was established to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor for five-year terms, and can be removed only for cause.

Arizona Tourism and Sports Authority (the Authority) – Arizona Revised Statues §5-802 established the Authority to construct, finance, maintain, improve, operate, market and promote the use of a multipurpose facility and do all things necessary to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a five-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of five years, and may be re-appointed for one full subsequent term, and can be removed only for cause.

Arizona Housing Finance Authority (the Authority) – Arizona Revised Statutes §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority is required to notify and obtain written consent from the governing bodies of any city, town, county, tribal government or existing corporation for any multifamily residential rental projects planned for their jurisdiction. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

Beginning with the year ended June 30, 2004, the Universities will be required to prepare their financial statements following GASB Statement No. 39 – *Determining Whether Certain Organizations are Component Units*. The implementation of GASB Statement No. 39 will result in additional component units being reported upon by the State in future Comprehensive Annual Financial Reports (CAFRs).

Joint Ventures

As described in Note 11, the University of Arizona and the University Medical Center both participate in joint ventures. In accordance with U.S. generally accepted accounting principles, the financial activities of these joint ventures are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the State) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

> **Invested in capital assets, net of related debt** consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.
>
> **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions, enabling legislation, or voter initiative.
>
> **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function.

The State does not allocate indirect expenses to programs or functions. Program revenue includes:

- charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental or business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

Fund financial statements - provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund - is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund - accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation. The Department builds and maintains the State's highway system and the Grand Canyon Airport.

The Land Endowments Fund - holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise funds:

The Universities - account for transactions of the State's three universities, which comprise the State's university system.

The Unemployment Compensation Fund - pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Industrial Commission Fund – accounts for deposits not to exceed 1½% of all premiums received by the State Compensation Fund and private insurance carriers during the preceding calendar year. These monies are used to provide additional awards as necessary to enable injured employees to accept the benefits of any law for promotion of vocational rehabilitation of persons disabled in industry. In addition, benefits may be paid for workers' compensation claims filed by employees of non-insured employers. The Industrial Commission then pursues against the non-insured employer for reimbursement of all benefits paid, including assessed penalties.

The Lottery Fund - accounts for the activities of the Arizona State Lottery.

Additionally, the State reports the following fund types:

Internal Service Funds - account for insurance coverage, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. During the fiscal year some funds previously classified as Internal Service Funds were reclassified to the General Fund. It is the policy of the State to reclassify immaterial proprietary fund activities to related governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. The reclassified funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, and arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

Pension Trust Funds - account for the activities of the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan, and the Corrections Officer Retirement Plan, for which the State acts as a trustee. These retirement plans accumulate resources to pay pension benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds - account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer's investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds - account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governments and organizations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, fiduciary fund and component units financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met. The financial statements of the State Compensation Fund (a discretely presented component unit), are prepared using the statutory basis of accounting. The statutory basis of accounting is not in conformity with U.S. generally accepted accounting principles (GAAP).

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 31 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The State's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

The State's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The State Compensation Fund (SCF) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance (the Department). Effective January 1, 2001, the Department required insurance companies domiciled in the State of Arizona to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual – Effective January 1, 2001* (the Manual). Accordingly, the admitted assets, liabilities and policyholders' surplus of the SCF as of December 31, 2002 and the results of its operations and changes in policyholders' surplus for the year then ended have been reported in accordance with these accounting principles.

The major variances from accounting principles generally accepted in the United States of America (GAAP) pursuant to such statutory accounting practices are as follows:

- Investments in common stocks are carried at current market values determined by the NAIC;
- Investments in debt securities are carried at amortized cost instead of separated into trading, available-for-sale or held-to-maturity portfolios, and then accounted for dependent on that classification;
- Land and buildings used in operations are classified as investments;
- Policy acquisition costs are charged to current operations rather than deferred and amortized with premium income over the periods covered by the policies;
- Certain assets designated as "nonadmitted assets" (principally fixed assets, prepaid expenses and miscellaneous accounts receivable) are charged directly against policyholders' surplus;
- Dividends to policyholders, which represent return of premiums, are charged against income;
- Imputed rental income for office space occupied by the SCF is computed and recognized as investment income, offset by imputed rental expense of the same amount, which is recognized as administrative expense;
- Comprehensive income and its components are not presented in the statutory financial statements; and

- The presentation and disclosure of admitted assets, liabilities and policyholders' surplus, and the related statements of operations and changes in policyholders' surplus differ from the presentation under GAAP.

D. CASH AND INVESTMENTS

Cash and Cash Equivalents – on the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts on the Statement of Net Assets "Cash", "Cash with U.S. Treasury", "Cash and Pooled Investments with State Treasurer", "Cash Held by Trustee" and "Collateral Investment Pool" (for the Industrial Commission). For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- *Cash (not with State Treasurer)* – cash includes undeposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.

- *Cash with U.S. Treasury* – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.

- *Cash and Pooled Investments with State Treasurer* – the State Treasurer maintains a centralized management of most State cash resources. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer's Pooled Investments are described in Note 2.

- *Collateral Investment Pool* – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions. See Note 2.F for a description of securities lending.

Investments (not with State Treasurer) – investments are stated at fair value or amortized cost which approximates fair value, except for mortgages held by the State Compensation Fund, which are stated at amortized cost, and Treasurer's Custodial Securities of the Agency Funds, which are reported at par value.

E. TAXES RECEIVABLE

Taxes receivable represent amounts owed by taxpayers for the 2002 and prior calendar years including assessments for underpayments, penalties and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2003. Sales and motor vehicle and fuel tax receivable represent amounts that are earned by the State in the fiscal period ended June 30, 2003, but not collected until the following month.

F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the Proprietary Funds and Universities. Inventories are stated at cost using the first-in, first-out method. In the Governmental Funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Infrastructure, such as roads and bridges, was capitalized for the first time in fiscal year 2001-02. Most capital assets are depreciated over their useful lives using the straight-line depreciation method. However, infrastructure assets constructed and maintained by the Arizona Department of Transportation will utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

	General State Policy		Other Authorized Agency Policies	
Asset Category	Capitalization Threshold	Estimated Useful Life (yrs)	Capitalization Threshold	Estimated Useful Life (yrs)
Land	All capitalized	Not depreciated	All capitalized	Not depreciated
Buildings	All capitalized	25-40	$300-$100,000	5-50
Improvements other than buildings	$5,000	15	$300-$5,000	1-40
Equipment	$5,000	3-15	$0-$5,000	3-25
Infrastructure	All capitalized	Not depreciated	$5,000-$100,000	10-100

The State is trustee for approximately 9.2 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements. A portion of the land that the State is trustee for has been sold and the buyers of the land have defaulted on the loans. The value of this land has been recorded at the sales price and properly included in the financial statements.

The State has interest in, and maintains significant special collections, works of art, and historical treasures. All special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 6, respectively.

I. INVESTMENT INCOME

Investment income is composed of interest, dividends, and net changes in fair value of applicable investments.

J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services, not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered "due and payable".

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for University employees, an employee forfeits accumulated annual leave in excess of 240 hours at the end of a calendar year, unless the Director of the Department of Administration authorizes an exception. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

Sick leave includes any approved period of paid absence granted an employee due to illness, injury or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. Because sick leave benefits do not vest with employees, a liability for sick leave is not accrued in the financial statements. However, State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more, with a maximum of 1500 hours, upon retirement directly from State service (See Note 12.C).

M. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and certificates of participation are deferred and amortized over the life of the debt instrument using the straight-line method. Bonds and certificates of participation are reported net of the applicable premium or discount. Except for the Arizona Department of Transportation, bond issuance costs are immaterial and are charged to expense in the period incurred.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, certificates of participation, and premiums and discounts on revenue bonds and certificates of participation as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 6.

N. STATE COMPENSATION FUND

Significant accounting policies relating to the State Compensation Fund include:

1. Policyholders' Dividends

The Board of Directors of the State Compensation Fund makes provisions for dividends to policyholders based on the Fund's overall experience. Dividends are paid to policyholders that meet premium volume and loss experience criteria established by the Board. Dividends of $50 million were declared as of December 31, 2002.

2. Reinsurance

The State Compensation Fund is assigned certain policyholders that participate in the National Council on Compensation Insurance (NCCI) assigned risk pool. All premiums collected on such policies are ceded to NCCI. All losses incurred by the Fund on such policies are recoverable from NCCI. In addition, the Fund is assigned a pro rata allocation of the liability for loss and loss expenses incurred by all NCCI policyholders in the State. Losses of other policyholders in excess of specified amounts are recoverable from other reinsurers. Contracts with these reinsurers do not relieve the Fund of its obligation to policyholders.

NOTE 2. CASH AND INVESTMENTS

A. CASH AND INVESTMENT POLICIES

Cash and cash equivalents are under the control of the State Treasurer, the retirement systems or other administrative bodies. Arizona Revised Statutes §35-312, §35-313 and §35-314 authorize the Treasurer to invest operating, trust and permanent endowment fund monies. Therefore, surplus cash deposited with the State Treasurer by State agencies with a statutory authorization to invest and all General Fund monies are invested by the Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State Treasurer invests in short-term securities and other investments. Provisions of Arizona law restrict these investments to obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities.

The State Treasurer also invests in various mortgage-backed securities for nineteen of the twenty-five investment pools it manages. These securities are reported at fair value on the Statement of Fiduciary Net Assets. In addition, they are reported in aggregate as U.S. Government securities. The securities are purchased to diversify the State's exposure to maturity and credit risks while providing for enhanced yields. The credit risk associated with holding these securities is reduced since all securities are rated AAA by Standard and Poor's and/or Moody's rating service. The market risk associated with holding these securities is linked to maturity risk in that as interest rates rise, the fair value of these securities will fall and prepayment of principal balances will decelerate. When interest rates fall, the fair value of these securities will rise and prepayment of principal balances will accelerate. The mortgage-backed securities are authorized under ARS §35-313.

Statutes enacted by the Legislature authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. This rule imposes the responsibility of making investments with the judgment and care that persons of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. Within this broad framework, the retirement systems have chosen to invest in short-term securities and repurchase agreements, obligations of the U.S. Government and its agencies, corporate bonds, common and preferred stocks and mortgages. The Statutes also place certain restrictions on the investment fund portfolios of the retirement systems.

Investments maintained by the State Treasurer are reported at fair value based upon an independent outside pricing service. Investments with a maturity of 91 days or more and all investments with a maturity of 90 days or less that were held at the beginning of the current fiscal year end, not valued by the pricing service, are valued using a market price solicited from the selling broker or a second outside pricing service. All investments with a remaining maturity of 90 days or less, that have no available market price, and were not held at the beginning of the current fiscal year, are valued using amortized cost. If different amortized cost values exist, the weighted average amortized cost is given to like investments.

The State Treasurer also maintains external investment pools [the Local Government Investment Pool (LGIP) and Local Government Investment Pool-Government] with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. During the year, the LGIP's share of National Century Financial Enterprises (NCFE) NPF-XII bonds, valued at $131

million at July 1, 2002, was transferred to a new pool (Local Government Investment NPF) pending an investigation of possible fraud and violations of federal and state laws by the NCFE. The transfer was made to provide for the decline in fair value of the NPF-XII securities held by the LGIP. The likelihood that these LGIP participant monies will be recovered is not known.

The State Treasurer makes investments only in external investment pools that are registered with the Securities and Exchange Commission. The State Treasurer is not an involuntary participant in another entity's external investment pool.

The State Treasurer is not aware of any involuntary participation of local governments in the State's external investment pools. Participants meeting the criteria established under ARS §35-316 are eligible to participate in the pools and are not required to disclose the reason for requesting the account.

The investments of the State Treasurer's Custodial Securities, an Agency Fund, are recorded at par value. The investments are held by the State Treasurer for State agencies that perform a business compliance function.

The investments of the Industrial Commission and the Arizona Coliseum and Exposition Center are reported at the fair value.

The Arizona State Retirement System investments are reported at fair value and cost. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

The Public Safety Personnel, Elected Officials' and Corrections Officer Retirement Systems investments are reported at fair value and cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by an outside pricing service. Investments that do not have an established market are reported at estimated fair value.

The investments of the Universities are reported at fair value determined by quoted market prices, except non-participating interest bearing contracts and joint ventures, which are reported at cost. Donated land is reported at fair market value at time of donation.

The University Medical Center's short-term investments are reported at cost, which approximates fair value. Long-term investments are reported at fair value as determined by quoted market prices.

The investments of the Arizona Power Authority are reported at amortized cost, which approximates fair value.

The investments of the Water Infrastructure Finance Authority in Guaranteed Investment Contracts are stated at cost, since they are non-participating contracts. The other investments are stated at fair value, which approximates cost.

The investments of the State Compensation Fund (statutory basis) are primarily valued at amortized cost. Bonds and participation certificates are reported at cost plus or minus amortization of premium or discount. Investments in mortgages are reported at amortized cost. Equity securities are stated at market value as determined by the National Association of Insurance Commissioners. Short-term investments are reported at cost, which approximates fair value.

B. UNEMPLOYMENT COMPENSATION

ARS §23-703 requires that unemployment compensation contributions from Arizona employers be deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States that is established and maintained pursuant to Section 1104 of the Social Security Act. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major proprietary fund, has been established for this purpose.

C. COLLATERAL AND INSURANCE

The State requires that deposits and investments with financial institutions be entirely covered by Federal depository insurance or, alternatively, collateralized with surety equal to at least 100% (102% for the Treasurer) of the deposits so collateralized. Cash deposited with banks is collateralized based on bank balances. Surety collateralized includes U.S. Government obligations, State obligations, obligations of counties and municipalities within the State, and certain other securities.

D. DEPOSITS COLLATERALIZATION

At June 30, 2003, the carrying amount of the State's deposits for the Primary Government was a deficit of $15.298 million, $60.226 million for Fiduciary funds and a deficit of $44 thousand for the Component Units. The cash deficit results from the State Treasurer not reducing investments until the servicing bank presents warrants for payment. At June 30, 2003, the bank balance was $197.132 million for the Primary Government, $79.224 million for Fiduciary funds and $0.00 for the Component Units. For the Primary Government bank balances, $1.915 million was collateralized by Federal depository insurance. The remaining $195.217 million was collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form. For the Fiduciary funds, $1.552 million was collateralized by Federal depository insurance. The remaining $77.672 million was collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form.

E. INVESTMENTS CUSTODIAL RISK

The following tables summarize the credit risk of the State's investments (expressed in thousands). Category A includes investments that are insured or registered, or for which securities are held by the State or the State's agent in the State's name. Category B includes uninsured and unregistered investments for which securities are held by the counterparty's agent or trust department in the State's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty, or by its agent or trust department but not in the State's name.

Primary Government

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
U.S. Government securities	$ 1,730,993	$ -	$ 158,663	$ 1,889,656
U.S. Government securities on securities loan	9,206	-	-	9,206
Corporate stocks	590,801	-	-	590,801
Corporate debt	1,442,876	-	-	1,442,876
Corporate debt on securities loan	304	-	-	304
Repurchase agreements	185,367	-	-	185,367
Other investments	8,015	-	137,949	145,964
Subtotal	$ 3,967,562	$ -	$ 296,612	4,264,174
Investments Not Subject to Custodial Risk:				
Guaranteed Investment Contracts				1,948
Money market mutual funds				98,872
U.S.Treasury mutual funds				23,348
Mutual Funds-Benchmark Portfolio				5,837
Exchange traded mutual funds				30,735
Equity mutual funds				210
Bond mutual funds				2,494
Donated land				420
Mortgages				834
Joint venture				14,000
Collateral Investment Pool				69,525
Investments held by brokers/dealers under Security Loan Program:				
U.S. Government securities				49,189
Corporate stocks				8,630
Corporate debt				9,656
United States Treasury Pooled Investment				860,872
Total Investments				5,440,744
Deposits				(15,298)
Total Cash and Investments				$ 5,425,446

Fiduciary Funds

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
US Government securities	$ 5,610,230	$ -	$ -	$ 5,610,230
Corporate stocks	12,661,917	2,327,623	-	14,989,540
Corporate debt	3,712,931	-	-	3,712,931
State and local government securities	603,152	-	-	603,152
Repurchase agreements	381,142	-	-	381,142
Other investments	113,108	20,768	471	134,347
Subtotal	$ 23,082,480	$ 2,348,391	$ 471	25,431,342
Investments Not Subject to Custodial Risk:				
Other investment-not categorized				266,236
Short-Term Investment Fund				3,309,228
Real estate				30,212
Collateral Investment Pool				1,305,921
Investments held by brokers/dealers under Security Loan Program:				
U.S. Government securities				1,828,530
Corporate stocks				1,277,246
Corporate debt				422,013
Total Investments				33,870,728
Deposits				60,226
Total Cash and Investments				$ 33,930,954

Component Units

Type of Deposit or Investment	Category A	Category B	Category C	Reported Amount
U.S. Government securities	$ 31,192	$ -	$ 2,695	$ 33,887
Corporate stocks	-	5,036	-	5,036
Corporate debt	18,796	5,272	-	24,068
State and local government securities	-	9,327	-	9,327
Repurchase agreements	13,189	-	-	13,189
Other investments	103	57,979	-	58,082
Subtotal	$ 63,280	$ 77,614	$ 2,695	143,589
Investments Not Subject to Custodial Risk:				
Guaranteed Investment Contracts				73,458
Total Investments				217,047
Deposits				(44)
Total Cash and Investments				$ 217,003

As reported on the Statement of Net Assets and Statement of Fiduciary Net Assets

	Primary Government	Fiduciary	Component Units
Cash	$ 187,778	$ 44,047	$ 13,341
Cash with U.S. Treasury	860,872	-	-
Cash and pooled investments with State Treasurer	2,333,085	160,742	53,497
Cash held by trustee	146,263	-	24,489
Collateral investment pool	69,525	-	-
Short-term investments	50,385	2,978	22,318
Investments held by trustee	106,561	-	22,082
Investments	342,725	30,757,112	81,276
Endowment investments	1,328,252	-	-
Custodial securities in safekeeping	-	2,966,075	-
Total	$ 5,425,446	$ 33,930,954	$ 217,003

At June 30, 2003, the State had no commitments to resell securities under yield maintenance agreements.

During the year ended June 30, 2003, the State did not make significant investments in types of investments beyond those enumerated in the preceding tables.

State Compensation Fund (Statutory Basis)

The following table (expressed in thousands) summarizes the types of investments of the State Compensation Fund. The State Compensation Fund provided no information as to collateralization or custodial credit risk of its deposits and investments.

U.S. Government securities	$	818,674
Corporate stocks		156,885
Corporate debt		907,220
State and local government securities		209,378
Mortgages		156,293
Properties occupied by the Fund		26,436
Other investments		274,320
Total Cash and Investments	$	2,549,206

F. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. State Treasurer

The State Treasurer (Treasurer) is permitted by Title 35, Chapter 2, Article 2 of the Arizona Revised Statutes to enter into securities lending transactions. During the fiscal year ended June 30, 2003, there were no violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. At June 30, 2003, the State Treasurer had no securities on loan.

2. Industrial Commission

State statutes and Industrial Commission (the Commission) policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2003. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105% of the market value of securities loaned plus accrued interest. The market value at June 30, 2003 for loaned securities collateralized by cash and non-cash collateral was $34.317 million and $9.510 million, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at $35.274 million and $9.779 million, respectively at June 30, 2003. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral received on the securities lent.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 58 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 38 days as of June 30, 2003. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. Cash open loans can be terminated on demand by either lender or borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the

borrower upon expiration of the loan. At June 30, 2003, the Commission had $35.274 million outstanding as payable for securities lending.

3. Arizona State Retirement System

The Arizona State Retirement System (ASRS) is permitted by Arizona Revised Statutes §38-715(D)(3), to enter into securities lending transactions. The ASRS enters into agreements with brokers to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. It is the policy of the ASRS to receive as collateral at least 102% of the market value of the loaned securities and maintain collateral at no less than 100% for the duration of the loan. At year-end, the ASRS has no credit risk exposure to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. During fiscal year 1998, statutes were amended to allow for other than cash collateral. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Any cash collateral received is invested in short-term investments. The ASRS receives a spread for its lending activities. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2003, the ASRS had $2.248 billion outstanding as payable for securities on loan.

Due to the flow of securities to and from transfer agents and the security loan program, securities occasionally cannot be delivered for a sale or received for a purchase, resulting in a "failed" transaction. Securities with trade dates in June and settlement dates in July result in "outstanding" transactions. Since these securities have contractually changed ownership, receivables and payables result from these transactions. Such transactions resulted in a receivable for securities sold of $336.946 million and a payable for securities purchased of $1.017 billion at June 30, 2003.

4. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan and Corrections Officer Retirement Plan

The Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP) are permitted by Title 38, Chapter 5, Articles 3, 4, and 6 of the Arizona Revised Statutes to enter into securities lending transactions. The PSPRS, EORP and CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, EORP and CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, EORP and CORP require collateral of at least 102% of the fair value of the loaned U.S. Government or corporate security. Securities on loan are carried at fair value. As of June 30, 2003, the fair value of securities on loan were (expressed in millions):

PSPRS	$ 1,009.390
EORP	80.942
CORP	189.454

The PSPRS, EORP and CORP receive a negotiated fee for their loan activities and are indemnified for broker default by the securities lending agent. The PSPRS, EORP and CORP participate in a collateral investment pool. All security loans can be terminated on demand by either the pool participants or the borrower. The total cash collateral investments received for unmatched loans (any loan for which the cash collateral has not been invested for a specific maturity) will have a maximum effective duration of 233 days. And, at least 20% of total collateral investments shall be invested on an overnight basis. All matched loans shall have matched collateral investments. At June 30, 2003, the weighted average maturity was three days for all investments purchased with cash collateral from unmatched loans. The PSPRS, EORP, and CORP have no credit risk because the amounts owed to borrowers exceed the amounts borrowers owe to them. Under this program, they have not experienced any defaults or losses on these loans.

5. University of Arizona

During the fiscal year, the University engaged in securities lending transactions. The University entered into an agreement with Wells Fargo, the University's custodian, to carry out these transactions. The custodian enters into agreements with brokers to loan securities and have the same securities returned at a later date. It is the policy of the University to receive as collateral at least 102% of the market value of the loaned securities and accrued interest, and maintain collateral at no less than 100% for the

duration of the loan. At year-end, the University had no credit risk to borrowers because the University was holding more collateral than the amount of loaned securities outstanding.

The University records the collateral received as an asset, which is offset by an obligation recorded under securities lending. During the fiscal year ended June 30, 2003, there were no violations of legal or contractual provisions, and there were no borrower or lending agent default losses. Wells Fargo does not indemnify the University to the extent of borrower defaults. Collateral can be received in the form of U.S. Government securities, letters of credit, or cash. As of June 30, 2003, the custodian has received only cash collateral. Cash collateral received from the borrowers is invested in a short-term cash collateral investment pool, which, on average, has a weighted maturity of 14 days. The relationship between the maturities of the cash collateral investment pool and the University's loans is affected by the maturities of the securities loans made by other entities that use the custodian's pool, which the University cannot determine. This pool consists of investments in domestic and foreign bank obligations, commercial paper and participations, mortgage-backed and pass-through securities, corporate notes, bond debentures, and tri-party repurchase agreements. At June 30, 2003, cash collateral investments totaled $34.251 million with a corresponding market value of securities on loan of $33.158 million. Securities lent for cash collateral included corporate stocks, corporate bonds, government notes, and government bonds. The University or the borrower can terminate all securities loans on demand. The University cannot sell or pledge securities received as collateral unless the borrower defaults. The University earns a negotiated fee for participating in loan activities.

6. State Compensation Fund (Statutory Basis)

The State Compensation Fund (the Fund) participates in a securities lending program in which securities are loaned to approved brokers/dealers for specified periods of time. All securities on loan are collateralized by cash or cash equivalents of at least 102% of their fair market value. The collateral is maintained by the Fund's investment trustee who is not a party to the security lending agreement. The Fund had invested securities on loan with a market value of approximately $203.641 million and a book value of $194.558 million at December 31, 2002.

G. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases whether or not a settlement is required.

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

- Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investments denominated in foreign currencies.
Futures	Reduce transaction costs; obtain market exposure; enhance returns.

Generally, derivatives are subject to both market risk and counterparty risk. The derivatives utilized by ASRS internal investment managers typically have no greater market risk than their physical counterparts, and in many cases are offset by exposure elsewhere in the portfolio. All derivatives are reported at fair value.

The ASRS believes that it is unlikely that any of the derivatives used by its internal investment managers could have a material adverse effect on the financial conditions of the System.

H. CUSTODIAL SECURITIES

In accordance with Arizona Revised Statutes, various State agencies deposit securities with the Treasurer for safekeeping. The State agencies have securities in safekeeping with the Treasurer in the form of U.S. Government and agency securities, certificates of deposit, municipal and corporate bonds, and surety bonds at June 30, 2003. These securities are reported in the Fiduciary Agency Fund.

I. STATE TREASURER'S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer's total investing activities and the internal and external participants of the Investment Trust Funds. The Investment Trust Funds report on the activities of the Local Government Investment Pools and Central Arizona Water Conservation District Investment Accounts. A copy of the State Treasurer's Office Annual Financial Report can be obtained from his office at:

State Treasurer's Office
1700 W. Washington
Phoenix, Arizona 85007-2812

The Treasurer's financial statements are audited by the Office of the Auditor General.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2003 (expressed in thousands). These amounts include $83.365 million for underpayments, penalties, and interest:

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Non-Major Governmental Funds	Government-Wide Total
Sales	$ 262,819	$ -	$ -	$ 2,812	$ 265,631
Income – individual and corporate	101,012	-	-	-	101,012
Insurance premium	25,231	-	-	-	25,231
Motor vehicle and fuel	-	68,683	-	-	68,683
Luxury	2,698	-	-	5,020	7,718
Unemployment	-	-	39,659	-	39,659
Gross taxes receivable	391,760	68,683	39,659	7,832	507,934
Allowance for uncollectible taxes	(104,891)	-	-	-	(104,891)
Net Taxes Receivable	$ 286,869	$ 68,683	$ 39,659	$ 7,832	$ 403,043

B. DEFERRED REVENUE

At June 30, 2003, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

	Unavailable	Unearned	Total Deferred Revenue
Current Deferred Revenue for Governmental Funds:			
General Fund:			
Delinquent sales tax	$ 42,165	$ -	$ 42,165
Delinquent income tax	42,827	-	42,827
Advance insurance premiums	-	273	273
Advance land lease payments	-	291	291
Public assistance overpayments	2,340	-	2,340
Food stamps	-	86	86
Vaccine & commodity food supplement	-	9,301	9,301
Member premiums	-	15,061	15,061
Federal grants	6,984	685	7,669
Tribal reimbursements	723	-	723
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Notes receivable for real estate mortgage loans	9,854	-	9,854
Land Endowments Fund:			
Land sales receivable	261,094	-	261,094
Land leases receivable	1,713	-	1,713
Advance land lease payments	-	23,681	23,681
Non-Major Funds:			
Public assistance overpayments	1,938	-	1,938
Advance payments for Hawaii/Arizona PMMIS Alliance	-	1,951	1,951
Other	-	15	15
Total current deferred revenue for governmental funds	369,638	51,344	420,982
Non-current Deferred Revenue for Governmental Funds:			
General Fund:			
Advance land lease payments	-	6,878	6,878
Total non-current deferred revenue for governmental funds	-	6,878	6,878
Total current and non-current deferred revenue for governmental funds	$ 369,638	$ 58,222	$ 427,860

	Unearned
Current Deferred Revenue for Proprietary Funds:	
Universities:	
Unexpended cash advances received for sponsored programs	$ 32,574
Auxiliary sales and services	4,816
IBM lease related to acquisition of research park	4,900
Student tuition and fees	38,000
Other deferred revenue	1,163
Deposits	1,650
Non-Major Funds:	
Member premiums	3,878
Magazine subscriptions	4,243
Total current deferred revenue for proprietary funds	$ 91,224
Non-current Deferred Revenue for Proprietary Funds:	
Universities:	
IBM lease related to acquisition of research park	$ 49,470
Total non-current deferred revenue for proprietary funds	$ 49,470
Current Deferred Revenue for Component Units:	
Water Infrastructure Finance Authority:	
Administrative fees	$ 491
Total current deferred revenue for component units	$ 491
Non-current Deferred Revenue for Component Units:	
Water Infrastructure Finance Authority:	
Unearned loan revenue	$ 1,202
Total non-current deferred revenue for component units	$ 1,202
Current Deferred Revenue for Component Units (Statutory basis);	
State Compensation Fund:	
Policyholders' advance premiums	$ 55,210
Total current deferred revenue for component units (Statutory basis)	$ 55,210

NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2003 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance, as restated	**Increases**	**Decreases**	**Adjustments & Reclassifications**	**Ending Balance**
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,814,708	$ 129,459	$ (3,897)	$ (2,101)	$ 1,938,169
Construction in progress	1,676,519	631,203	(121,014)	(1,910)	2,184,798
Infrastructure	7,463,896	120,750	(304)	(19,569)	7,564,773
Total capital assets, not being depreciated	10,955,123	881,412	(125,215)	(23,580)	11,687,740
Capital assets, being depreciated:					
Buildings	1,063,937	96,892	(993)	37,161	1,196,997
Improvements other than buildings	115,837	1,465	(53)	11,786	129,035
Equipment	587,084	35,998	(45,520)	8,341	585,903
Infrastructure	4,643	-	-	1,961	6,604
Total capital assets, being depreciated	1,771,501	134,355	(46,566)	59,249	1,918,539
Less accumulated depreciation for:					
Buildings	(327,115)	(29,170)	120	(274)	(356,439)
Improvements other than buildings	(51,506)	(4,631)	21	4,240	(51,876)
Equipment	(404,345)	(62,284)	42,218	2,337	(422,074)
Infrastructure	(1,516)	(3,961)	-	1,516	(3,961)
Total accumulated depreciation	(784,482)	(100,046)	42,359	7,819	(834,350)
Total capital assets, being depreciated, net	987,019	34,309	(4,207)	67,068	1,084,189
Governmental activities capital assets, net	$ 11,942,142	$ 915,721	$ (129,422)	$ 43,488	$ 12,771,929

	Beginning Balance, as restated	**Increases**	**Decreases**	**Adjustments & Reclassifications**	**Ending Balance**
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 133,523	$ 2,156	$ (222)	$ (362)	$ 135,095
Construction in progress	98,572	151,718	(116,146)	(158)	133,986
Collections	32,528	1,052	(436)	-	33,144
Total capital assets, not being depreciated	264,623	154,926	(116,804)	(520)	302,225
Capital assets, being depreciated:					
Buildings	2,100,782	135,388	(3,583)	29	2,232,616
Improvements other than buildings	36,920	-	(1)	(34,441)	2,478
Equipment	1,004,226	75,286	(38,006)	(215)	1,041,291
Infrastructure	213,301	31,371	-	34,822	279,494
Total capital assets, being depreciated	3,355,229	242,045	(41,590)	195	3,555,879
Less accumulated depreciation for:					
Buildings	(804,675)	(64,056)	1,285	565	(866,881)
Improvements other than buildings	(18,073)	(1,344)	-	(579)	(19,996)
Equipment	(665,585)	(72,441)	33,783	464	(703,779)
Infrastructure	(73,300)	(10,591)	-	(23)	(83,914)
Total accumulated depreciation	(1,561,633)	(148,432)	35,068	427	(1,674,570)
Total capital assets, being depreciated, net	1,793,596	93,613	(6,522)	622	1,881,309
Business-type activities capital assets, net	$ 2,058,219	$ 248,539	$ (123,326)	$ 102	$ 2,183,534

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	$	22,860
Health and welfare		14,218
Inspection and regulation		1,960
Education		911
Protection and safety		34,719
Transportation		13,849
Natural resources		11,529
Total governmental activities	$	100,046

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Lottery	$	269
Industrial Commission		1,082
Universities		144,274
Other		2,807
Total business-type activities	$	148,432

Discretely presented component units capital asset activities for the fiscal year ended June 30, 2003 were as follows (expressed in thousands):

	Component Units				
	Beginning Balance, as restated	**Increases**	**Decreases**	**Adjustments & Reclassifications**	**Ending Balance**
Component Units:					
Capital assets, not being depreciated:					
Land	$ 5,734	$ -	$ -	$ 88	$ 5,822
Construction in progress	5,144	9,753	(10,572)	(22)	4,303
Total capital assets, not being depreciated	10,878	9,753	(10,572)	66	10,125
Capital assets, being depreciated:					
Buildings	143,383	2,518	(487)	2	145,416
Improvements other than buildings	1,422	1	-	(2)	1,421
Equipment	130,644	20,262	(8,197)	21	142,730
Total capital assets, being depreciated	275,449	22,781	(8,684)	21	289,567
Less accumulated depreciation for:					
Buildings	(73,339)	(5,398)	18	1,850	(76,869)
Improvements other than buildings	(261)	(126)	157	(1,594)	(1,824)
Equipment	(111,536)	(12,698)	8,179	(292)	(116,347)
Total accumulated depreciation	(185,136)	(18,222)	8,354	(36)	(195,040)
Total capital assets, being depreciated, net	90,313	4,559	(330)	(15)	94,527
Component Units capital assets, net	$ 101,191	$ 14,312	$ (10,902)	$ 51	$ 104,652

Depreciation expense was charged to component units as follows (expressed in thousands):

University Medical Center	$	18,164
Arizona Power Authority		31
Water Infrastructure Finance Authority		27
Total Component Units	$	18,222

State Compensation Fund (Statutory Basis) capital asset activities for the calendar year ended December 31, 2002 were as follows (expressed in thousands):

	Balance
Land	$ 3,136
Buildings	32,517
Improvements other than buildings	4,561
Equipment	5,254
Total Capital Assets	45,468
Less: accumulated depreciation	(18,116)
State Compensation Fund capital assets, net	$ 27,352

Depreciation expense totaled $1,940 (expressed in thousands).

NOTE 5. RETIREMENT PLANS

The State contributes to the four plans described below. The four plans are considered part of the State's financial reporting entity and are included in the State's financial statements as Pension Trust Funds.

A. PLAN DESCRIPTIONS

The State participates in the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Elected Officials' Retirement Plan (EORP) and the Corrections Officer Retirement Plan (CORP). Benefits are established by State statutes and provide retirement, death, long-term disability, survivor and health insurance premium benefits to State employees, public school employees and employees of counties, municipalities and certain other State political subdivisions.

The **ASRS** is a cost-sharing, multiple-employer defined benefit pension plan that benefits employees of the State, its political subdivisions and public schools. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent, multiple-employer defined benefit pension plan that benefits fire fighters and police officers employed by the State or certain local governments. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 186 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4.

The **EORP** is a cost-sharing, multiple-employer defined benefit pension plan that benefits all elected State and county officials and judges and certain elected city officials. The EORP is governed by the Fund Manager of the PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 3.

The **CORP** is an agent, multiple-employer defined benefit pension plan that benefits town, city and county detention officers and certain employees of the Arizona Department of Corrections and the Arizona Department of Juvenile Corrections. The CORP is governed by the Fund Manager of the PSPRS and 15 local boards according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

Arizona State Retirement System
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan or the Corrections Officer Retirement Plan
1020 East Missouri Avenue
Phoenix, Arizona 85014
(602) 255-5575

The number of participating government employers as of June 30, 2003, are shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	68	118	17	-
Counties and county agencies	14	21	15	11
State	1	1	1	1
Special districts	62	46	-	-
School districts	232	-	-	-
Charter schools	150	-	-	-
Community college districts	10	-	-	-
Dispatchers	-	-	-	3

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As part of the Pension Trust Funds, the financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

For the ASRS, investments are reported at fair value and at cost. Security transactions and any resulting gains or losses are accounted for on a trade-date basis. Investments, other than real estate and commercial mortgages, are reported at fair values determined by the custodial agents. The agent's determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Commercial mortgages have been valued on an amortized cost basis, which approximates fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible.

Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Net investment income includes net increase in fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

For the PSPRS, EORP and the CORP, investments are reported at fair value and at cost. Fair values are determined as follows: Short-term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by one of the world's largest and most prominent fixed-income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

C. INVESTMENT RESTRICTIONS

Statutes enacted by the Arizona State Legislature restrict the four retirement plans from investing more than five percent of each plan's total assets in securities issued by any one institution, agency or corporation, other than securities issued as direct obligations of or fully guaranteed by the U.S. Government. As of June 30, 2003, the four retirement plans are in compliance with the State statutes.

D. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the Arizona Revised Statutes. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans – For the year ended June 30, 2003, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.0 percent retirement and 0.49 percent long-term disability) of the

members' annual payroll. The State's contributions to ASRS for the years ended June 30, 2003, 2002 and 2001 were $37.777, $36.605 and $36.832 million, respectively, for the primary government and $520, $565 and $298 thousand, respectively, for the component units, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 6.97 percent of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2003, 2002 and 2001 were $81, $77 and $183 thousand, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2003, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 5.71 – 20.03 percent. Active CORP members were required by statute to contribute 8.50 percent of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 4.08 - 5.26 percent.

E. ANNUAL PENSION COST

The State's annual pension cost and related actuarial data for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2003, is as follows (expressed in thousands):

	PSPRS	CORP
Contribution rates:		
State	5.71% - 20.03%	4.08% - 5.26%
Plan members	7.65%	8.50%
Annual pension cost	$3,951	$5,789
Contributions made	$3,951	$5,789
Actuarial valuation date	6/30/01	6/30/01
Actuarial cost method	entry age	entry age
Actuarial assumptions:		
Investment rate of return	9%	9%
Projected salary increases	6.5% - 9.5%	6.5% - 9.5%
includes inflation at	5.5%	5.5%
Cost-of-living adjustments	none	none
Amortization method	level percent open	level percent open
Remaining amortization	20 years	20 years
Asset valuation method	4 year smoothed market value	4 year smoothed market value

F. TREND INFORMATION

Information for each of the agent, multiple-employer defined benefit plans as of the most recent actuarial valuations is as follows (expressed in thousands):

Contributions Required and Contributions Made

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	6/30/03	$3,951	100%	$ 0
	6/30/02	4,834	100%	0
	6/30/01	4,510	100%	0
CORP	6/30/03	5,789	100%	0
	6/30/02	5,775	100%	0
	6/30/01	14,209	100%	0

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professional and administrative officers at the three universities (Arizona State University, Northern Arizona University, and University of Arizona) may select one of six retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), Aetna Life Insurance and Annuity Company (Aetna), The Vanguard Group (Vanguard) or the Arizona State Retirement System (ASRS). The ASRS is a defined benefit plan (described above) and the other five plans are defined contribution plans. The five defined contribution plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. In addition, University of Arizona employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. Eligible classified staff belong to the Arizona State Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2003, plan members and the three Universities were each required by statute to contribute an amount equal to seven percent of an employee's compensation, except for a 7.06 percent contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2003, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	$ 23,678	$ 23,678	$ 47,356
VALIC	2,942	2,942	5,884
Fidelity	4,365	4,365	8,730
Aetna	988	988	1,976
Vanguard	1,184	1,184	2,368
ASRS	132	131	263

H. UNIVERSITY MEDICAL CENTER DEFINED CONTRIBUTION PLAN

The University Medical Center (UMC) has an Employee Pension Plan (the Plan) for its employees. The Plan is a defined contribution plan covering all UMC employees who are subject to minimum employment requirements, as defined in the Plan Agreement. The UMC makes contributions to the Plan in amounts equal to (a) 5.5 percent of total compensation plus (b) 5.4 percent of compensation in excess of 80 percent of the FICA wage base. Such contributions are allocated to each participant as defined in the Plan Agreement. Retirement plan expense, net of participant forfeitures, was approximately $5.193 million for the year ended June 30, 2003.

I. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described, the ASRS offers the Retiree Group Insurance Program and the Health Insurance Premium Benefit Program to eligible retired and disabled members. A retired member is defined as a member actively receiving an annuity benefit and a disabled member is defined as a member receiving a Long-Term Disability (LTD) benefit through the LTD program administered by the ASRS or through their former member employer's group LTD plan.

Pursuant to ARS §38-782, the Retiree Group Insurance Program makes available group health insurance coverage to eligible retired and disabled members and their dependents. Retired and disabled members of the ASRS, the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan, and the Corrections Officer Retirement Plan may participate if they are no longer eligible for health insurance benefits through their former employer. More than 38,000 coverage agreements currently exist for retired and disabled members and their dependents.

Pursuant to ARS §38-783, retired and disabled members with at least five years of credited service are eligible to participate in the Health Insurance Premium Benefit (subsidy) Program. This assistance is provided to those members that elect group coverage through either the Retiree Group Insurance Program or their former member employer.

The ASRS offers a monthly "subsidy" to decrease the cost of group healthcare insurance offered to all retired and disabled persons of the ASRS, PSPRS, CORP and EORP that is provided by the primary government of the State. The amount of the

subsidy provided retired or disabled participants is dependent upon the number of years of credited service; whether the participant is eligible for Medicare coverage; if the participant elects group insurance coverage for spouse or dependents; and if the participant lives in an isolated or rural location of the State. The amount of the monthly subsidy paid on a member's and their dependents' behalf toward the cost of group health insurance by the ASRS ranges from $50 to $600. The ASRS reimbursed approximately $84.5 million and $76.0 million towards the cost of group health insurance coverage for the years ended June 30, 2003 and June 30, 2002, respectively. Employment functions of the retired and disabled members eligible for the "subsidy" are teachers, State employees, and political subdivision employees.

The "subsidy" was enacted by the State Legislature as part of the enabling and operating laws of the ASRS (ARS §§38-782 and 38-783). The actuarial calculation of the ASRS plan liabilities used to assess Annual Required Contribution Rate to all participating employers includes an actuarial dollar amount of approximately $846 million for fiscal year 2003 (0.37% of the total actuarial liabilities) to fund the health insurance "subsidy" program. The Total Annual Required Contribution Rate for both employers and employees during fiscal year 2003 was 0.74%. The participating ASRS employers and employees make no other contributions for funding the health insurance "subsidy" benefit enacted by the State Legislature.

Total actuarial liabilities of the ASRS, including funding for the healthcare insurance "subsidy", are determined on a projected unit-credit basis. As the ASRS is a cost-sharing plan, the number of "subsidy" participants and amount contributed for the "subsidy" by each participating employer is not available. Total Net Assets available to pay the "subsidy" for all participants at June 30, 2003, is $698 million.

The State Legislature in ARS §38-783 has made the payment of the healthcare "subsidy" to retired and disabled participants subordinate to the payment of normal retirement benefits.

During the November 1998 general election, voters added Article XXIX to the State of Arizona Constitution. Article XXIX is titled "Public Retirement Systems." Article XXIX provided for the following actions:

1. Public retirement systems shall be funded with contributions and investment earnings using actuarial methods and assumptions that are consistent with generally accepted actuarial standards.

2. The assets of the State's public retirement systems, including investment earnings and contributions, are separate and independent trust funds and shall be invested, administered, and distributed as determined by law solely in the interests of the members and beneficiaries of the public retirement systems.

3. Membership in a public retirement system is a contractual relationship that is subject to Article II, Section 25 of the State's constitution, and public retirement system benefits shall not be diminished or impaired.

Article II, Section 25 of the State's constitution indicates that no law impairing the obligation of a contract shall ever be enacted.

NOTE 6. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Arizona Department of Transportation

The Arizona Department of Transportation (ADOT) issued Senior and Subordinated Highway Revenue Bonds to provide funds for acquisition of right-of-way and construction of federal, state and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $734.155 million. During the year, Highway Revenue Bonds totaling $341.530 million were issued to (i) finance portions of the Transportation Board's Five Year Transportation Facilities Construction Program, (ii) pay costs of issuing the Bonds, and (iii) refund in advance of maturity portions of ADOT's outstanding Senior and Subordinated Bonds in the aggregate principal amount of $98.495 million.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. Arizona Revised Statutes prohibit the total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, from exceeding $1.3 billion.

The Maricopa County Regional Area Road Bond Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was $407.925 million. During the year, Transportation Excise Tax Revenue Bonds totaling $80.475 million were issued to (i) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona, (ii) pay costs of issuing the Bonds, and (iii) refund in advance of maturity portions of the Board's outstanding Senior 1998 Series A Revenue Bonds in the aggregate principal amount of $4.550 million.

The Bond Resolution adopted by the Transportation Board on July 25, 1986 established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transaction Excise Revenue Bond Resolution adopted by the Board on September 22, 1988, gives the Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reported in the accompanying financial statements. The policies (aggregating $70.064 million at June 30, 2003) were issued by Financial Guaranty Insurance Company, except for the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies, which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

The carrying basis of the 1988 Series A Capital Appreciation Bonds increases as a result of accretion of the original issuance discount. At June 30, 2003, the carrying basis was $ 27.329 million. At June 30, 2003, the outstanding balance was $30.0 million.

In prior years ($132.346 million) and fiscal year 2003 ($103.045 million), the ADOT refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2003 totaled $235.391 million.

During the year ended June 30, 2003, the ADOT advance refunded the Highway Refunding Senior Series 1993 bonds ($98.495 million) and the Transportation Excise Tax Senior 1998 Series A Revenue bonds ($4.550 million) to reduce its total debt service payments by $7.455 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $6.269 million.

2. School Facilities Board

On July 10, 2002, the Arizona School Facilities Board issued $278.635 million in State School Improvement Revenue Bonds, Series 2002, with interest rates ranging from 2% to 5.5%, and maturity dates ranging from 2003 to 2020. Series 2002 Bonds maturing after July 1, 2012, are subject to redemption prior to their stated maturity date, at the sole option of the Board. Net proceeds from the Series 2002 Bonds totaled $293.548 million (after receipt of a net original issue premium of $15.483 million, and payment of $570 thousand in underwriter discounts). The bond proceeds are being used to pay the costs of correcting existing deficiencies in school facilities throughout the State of Arizona and certain bond related expenses.

On May 9, 2003, the Arizona School Facilities Board issued $32.865 million of State School Improvement Revenue Bonds, Series 2003, with interest rates ranging from 2% to 5%, and maturity dates ranging from 2004 to 2021. Series 2003 Bonds maturing after July 1, 2013, are subject to redemption prior to their stated maturity date, at the sole option of the Board. Net proceeds totaled $35.535 million (after receipt of $2.746 million of original issue premium and payment of $76 thousand of underwriter fees). The bond proceeds are being used to pay the costs of correcting existing deficiencies in school facilities throughout the State of Arizona and certain bond related expenses.

On June 30, 2003, the Arizona School Facilities Board issued $20 million of State School Improvement Revenue Bonds (Qualified Zone Academy Bonds), Series 2003B. The bonds were issued at a supplemental interest rate of 0.35%, and a maturity date of June 30, 2018. The Series 2003B Bonds are not subject to redemption prior to their stated maturity date. In addition to

the supplemental interest, eligible taxpayers owning the Series 2003B Bonds on the "credit allowance date" will be entitled to a credit against their Federal income tax equal to the product of the outstanding principal amount of the Series 2003B Bonds multiplied by the credit rate as of the date of issuance of the Series 2003B Bonds. The proceeds of $20 million will be allocated to eligible schools systems within the State of Arizona for eligible school projects. It is estimated that 95% of the funds will be used for the purpose of renovating, rehabilitating, and equipping school facilities within the Federal Empowerment Zones, Enterprise Zones, or schools where 35% or more of the students are eligible for free or reduced price meals.

Business-Type Activities

3. Universities

a. University of Arizona

The University's bonded debt consists of various issues of system revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure. Bond proceeds are also used for refunding obligations from previously issued bonds. Principal and interest on bonds are secured by a pledge of tuition, fees, rentals, and other charges.

On April 28, 2003, the University sold System Revenue Refunding Bonds Series 2003 (2003 Bonds) for $30.805 million dated May 1, 2003. The 2003 Bonds include $25.110 million of serial bonds with interest rates ranging from 3.5% to 5.0% and maturity dates ranging from 2013 to 2022. The 2003 Bonds also include $5.695 million of term bonds with an interest rate of 4.5% due June 1, 2024. The 2003 Bonds with maturity on or after June 1, 2014, are subject to optional redemption without premium. The 2003 Bonds with maturity on June 1, 2024, are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2003 Bonds were sold at a premium of $1.373 million. The University realized net proceeds of $31.783 million after payment of $395 thousand for issuance costs, underwriter discounts and bond insurance. The net proceeds were used to advance-refund System Revenue Bond Series 1993 and Series 1994 with a total outstanding principal balance of $23.265 million. The net proceeds were also used to advance-refund a portion, $6.590 million, of the System Revenue Bonds Series 2000A with an outstanding principal balance of $20.8 million. The advance refunding reduced the University's debt service by an average of $4.021 million per year in the first five years. However, the total debt service on the refinancing debt is greater than the total debt service on the refunded debt by $16.792 million. Thus, the net present value of the difference between the old debt and the new debt (i.e. economic gain) is an additional cost of $1.164 million to the University. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $32.436 million. The refunded debt is considered defeased and is not included in the accompanying financial statements.

Restricted cash and investments are held in trust for capital projects by various commercial banks. $1.502 million is held for debt requirements, $47.965 million is available for future construction costs, and $5.094 million is from bond proceed earnings for unrestricted purposes. Trust funds are invested by the trustee in accordance with the Board's authorizing resolutions.

In fiscal year 1998, the University refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 1994. At June 30, 2003, the outstanding principal balance of the refunded bonds was $15.740 million, which will be paid by investments held in trust with a carrying value of $17.035 million. These amounts are not included in the accompanying financial statements.

b. Northern Arizona University

The University's bonded debt consists of various issues of student housing and System Revenue Bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring, constructing or renovating capital facilities. System revenue bonds are repaid from pledged gross revenues that primarily consist of student tuition and fees, and certain auxiliary revenues.

In prior years, the University defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2003, $315 thousand of such bonds outstanding are considered defeased.

c. Arizona State University

The Housing Revenue Bonds are payable from housing revenues as defined in the bond indentures. The Series 1992A, 1993, 2002 and 2003 System Revenue Refunding Bonds, and the outstanding Series 1989, 1991, 2000 and 2002 System Revenue Bonds are payable from Main Campus tuition, fees, certain auxiliary enterprises revenue, and certain other revenues as defined in the bond indentures.

The University has pledged portions of its gross revenues towards the payment of debt related to various system revenue bonds outstanding at June 30, 2003. These pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues.

In prior years, certain system revenue bonds of the University were defeased through advance refunding by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all such bonds outstanding at June 30, 2003, was $11.1 million.

Securities and cash restricted for bond retirement funds and maintenance and replacement reserves held by trustees at June 30, 2003 totaled $7.7 million.

Component Units

4. Arizona Power Authority

In prior years, Arizona Power Authority (APA) defeased various issues of bonds by purchasing United States government securities which were deposited in an irrevocable trust with an escrow agent to provide future debt service until the call dates. As a result, those bonds are considered to be defeased and the liability has been removed from the Hoover Uprating Fund. Accordingly, these trust account assets and related liabilities are not included in the accompanying financial statements. The remaining bonds, totaling $67.495 million, bear interest rates from 4.9% to 5.4% and are due from 2003 through 2017. These bonds are secured by the pledged property, as defined by the resolution, which includes the proceeds from the sale of the bonds, rights and interests in various contracts and revenues of the APA.

5. University Medical Center

In March 1992, the University Medical Center (UMC) issued $28.405 million of Hospital Revenue Bonds (the Series 1992 Bonds) and in May 1993, the UMC issued $54.750 million of Hospital Revenue Refunding Bonds (the Series 1993 Bonds). The proceeds of the Series 1992 Bonds and the Series 1993 Bonds were used to advance refund a portion of prior bonds.

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture), with which the Center is in compliance as of and for the year ended June 30, 2003. In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds for borrowings not yet expended for construction. These funds are held by the trustee and are reflected in investments held by trustee in the accompanying financial statements, and consist principally of guaranteed investment contracts.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board of Regents, the University of Arizona, the State of Arizona or any political subdivision thereof.

6. Water Infrastructure Finance Authority

The Water Infrastructure Finance Authority (WIFA) issued Financial Assistance Revenue Bonds in 1992, 1995, 1996, 1997 and 1998. The WIFA also issued Capitalization Revenue Bonds in 1992, 1995, 1996, and 1997. WIFA also issued Water Quality Refunding Bonds in 1999 and 2001. The bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific or otherwise, of the State or any other political subdivision thereof other than the WIFA.

The $1.688 million deferred loss on retirement of bonds is being amortized over the lives of the defeased bonds on the straight-line basis. The amortization for the year ended June 30, 2003, is $142 thousand and has been included in interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2003, is $292 thousand and is offset against interest expense.

On September 8, 1999, the WIFA issued $64.000 million of Water Quality Refunding Bonds to advance refund all of the 1991A bonds, and part of the 1992A, 1995A, and 1996A bonds. Under the terms of the refunding issue, sufficient assets to pay all of the principal and interest on the refunded bonds have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with the interest earned thereon, will provide amounts sufficient for future debt service requirements of the refunded bonds. The amount outstanding on the refunded bonds as of June 30, 2003 is $21.155 million. These bonds have been defeased through advanced refunding and, therefore, the corresponding liability has been removed from the accompanying financial statements.

7. Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2003 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balance at June 30, 2003
Governmental Activities:						
Department of Transportation	1989-2003	2004-2022	2.0-8.8%	$2,815,540	$2,815,540	$1,421,100
School Facilities Board	2001-2003	2002-2021	.14-5.5%	820,000	820,000	751,955
Business-Type Activities:						
University Revenue Bonds	1963-2003	2003-2034	2.9-7.13%	1,030,616	957,516	597,238
Component Units:						
Arizona Power Authority	1993	2003-2017	4.9-5.4%	68,945	68,945	67,495
University Medical Center	1992-1993	2003-2021	5.53-6.11%	83,155	83,155	70,900
Water Infrastructure Finance Authority	1992-2002	2006-2022	3.7-6.10%	253,715	253,715	230,280

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2003 for the Primary Government are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Total Principal	Total Interest	Total	Total Principal	Total Interest	Total
2004	$ 276,280	$ 111,450	$ 387,730	$ 21,172	$ 30,063	$ 51,235
2005	288,755	96,314	385,069	32,386	28,576	60,962
2006	165,050	79,559	244,609	36,545	26,981	63,526
2007	89,010	73,701	162,711	39,660	25,342	65,002
2008	94,455	69,499	163,954	41,625	23,446	65,071
2009-2013	481,105	270,257	751,362	181,925	87,138	269,063
2014-2018	502,410	149,105	651,515	144,990	41,559	186,549
2019-2023	275,990	27,544	303,534	50,290	19,258	69,548
2024-2028	-	-	-	40,015	6,478	46,493
2029-2033	-	-	-	7,010	1,492	8,502
2034	-	-	-	1,620	81	1,701
Total	$ 2,173,055	$ 877,429	$ 3,050,484	$ 597,238	$ 290,414	$ 887,652

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2003 for the Component Units are as follows (expressed in thousands):

	Component Units		
Fiscal Year	Total Principal	Total Interest	Total
2004	$ 15,695	$ 19,021	$ 34,716
2005	17,165	18,243	35,408
2006	19,000	17,371	36,371
2007	20,365	16,369	36,734
2008	19,945	15,345	35,290
2009-2013	117,840	59,514	177,354
2014-2018	117,940	27,191	145,131
2019-2023	40,725	4,204	44,929
Total	$ 368,675	$ 177,258	$ 545,933

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes are issued by the Transportation Board and secured by revenues received from the Federal Highway Administration under a grant agreement and certain other federal-aid revenues. The original amount of grant anticipation notes issued was $182.295 million.

The following schedule summarizes grant anticipation notes outstanding at June 30, 2003 (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balance at June 30, 2003
Governmental Activities:						
Department of Transportation	2000-2001	2004-2008	4.0-5.3%	$ 182,295	$ 182,295	$ 169,145

Future debt service principal and interest payments on grant anticipation notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

	Annual Debt Service		
	Governmental Activities		
Fiscal Year	Total Principal	Total Interest	Total
2004	$ 36,755	$ 7,488	$ 44,243
2005	49,000	5,401	54,401
2006	38,540	3,209	41,749
2007	37,000	1,308	38,308
2008	7,850	196	8,046
Total	$ 169,145	$ 17,602	$ 186,747

C. CERTIFICATES OF PARTICIPATION

1. Department of Administration

The State has issued Certificates of Participation (COPs) to finance construction or improvements of office buildings that are primarily leased to State agencies. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the lease will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the project will be sufficient to pay principal and interest with respect to the then outstanding Certificates. The scheduled payments of principal and interest with respect to the Certificates of Participation are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the Certificates of Participation. Such payments will be

made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

Capitalized interest costs include interest incurred during the construction of an asset.

On July 1, 2002, the Department of Administration issued Series 2002B Certificates of Participation for $75.295 million, with interest rates ranging from 2.0% to 5.5%, and maturity dates ranging from 2004 to 2010. The Certificates are being issued to refund all outstanding Certificates of Participation, Series 1992B, dated as of June 1, 1992, originally executed and delivered in an aggregate amount of $129.640 million and currently outstanding of $88.645 million, and to pay the costs of issuing the Series 2002B Certificates. The 2002B Certificates are subject to optional redemption and payment prior to maturity. Net proceeds from the Series 2002B Certificates totaled $80.164 million, after receipt of a net original issue premium of $5.418 million, and payment of $549 thousand in underwriter discounts. In addition, $12.690 million of funds held in reserve for the Series 1992B Certificates were used to complete the refunding.

The above refunding reduced the State's debt service requirements by $8.739 million, which resulted in an economic gain (difference between the present values of the old and new debt service payments) of $5.354 million.

2. School Facilities Board

On January 1, 2003, the Arizona School Facilities Board issued Series 2003A Certificates of Participation for $372.730 million, with interest rates ranging from 1.6% to 5.25%, and maturity dates ranging from 2004 to 2017. Series 2003A Certificates maturing on or after September 1, 2014 are subject to optional redemption and payment prior to maturity, at the sole option of the Board. Net proceeds from the Series 2003A Certificates totaled $401.291 million, after receipt of a net reoffering premium of $28.768 million, and payment of $206.8 thousand in issuance costs. The Certificates are being issued to finance the costs of acquiring leasehold interests in school sites and constructing and equipping thereon certain school facilities, which will be subleased to various school districts within the State participating in the Board's Lease-to-Own program, and to pay the cost of issuing the 2003A Certificates.

3. Industrial Commission

The exempt adjustable mode refunding Certificates of Participation (COPs), Series 1985 were issued to refund the 1984 certificates which were used to finance the cost of acquiring and constructing the building at 800 W. Washington Street, Phoenix, Arizona. The COPs mature serially at six-month intervals and lease payments are made to the trustee, Bank One, Arizona, NA. The sale-leaseback agreement provides that title will pass to the Commission at the end of the lease term, once the COPs are completely redeemed. The refunded amount was $17.5 million. This amount has been paid and is not included in the outstanding amounts.

The Trust Indenture for COPS specifies that the rates of specific types of financial instruments must be considered by the Remarketing Agent in setting the variable interest rates for the COP certificates. These instruments include the following: other issues of bonds marketed under the TEAMS program or similar programs; variable rate demand bonds; variable rate notes; and fixed rate notes that, in the judgement of the Remarketing Agent are otherwise comparable to TEAM certificates in credit quality and length of time prior to which such instruments mature or become subject to purchase at par on the demand of the owner. The interest rate ranged from 1.33% to 2.50% during the fiscal year ended 2003.

4. University of Arizona

On October 31, 2002, the University of Arizona issued Certificates of Participation Series 2002B (2002B Certificates) for $29.845 million dated November 1, 2002. The 2002B Certificates include $16.665 million of serial certificates with interest rates ranging from 3.0% to 5.125% and maturity dates ranging from 2005 to 2021. The serial certificates maturing on or after June 1, 2013, are subject to optional redemption prior to maturity without premium. The 2002B Certificates also include several term certificates consisting of $3.725 million with an interest rate of 5.125% due June 1, 2016; $4.130 million with an interest rate of 5.125% due June 1, 2018; and $5.325 million with an interest rate of 4.75% due June 1, 2023. The term certificates maturing on June 1, 2016, June 1, 2018, and June 1, 2023, are subject to mandatory sinking fund redemption in part one year before maturity. There are also extraordinary redemption dates pursuant to the debt documents. The 2002B Certificates were issued at a premium of $1.154 million. The University of Arizona realized net proceeds of $30.044 million after payment of $555 thousand for issuance costs, underwriters discount and insurance. The net proceeds are being used to finance $16.2 million of the $17.2 million Meinel Optical Science Building project, and to refund in advance of maturity the Certificates of Participation Series

1994B with an outstanding principal balance of $14.130 million. The advance-refunding generated a net present value benefit of $652 thousand (difference between the present values of old debt and new debt service payments) for the University. The advance-refunding reduced the University's debt service by an average of $416 thousand per year in the first three years. The total debt service of the refinancing debt is $53 thousand less than the total debt service of the refunded debt. The refunded Certificates of Participation Series 1994B will be paid by investments held in an irrevocable trust with a carrying value of $15.426 million. As a result, the refunded debt is considered to be defeased and is not included in the University of Arizona financial statements.

On May 6, 2003, the University of Arizona issued Refunding Certificates of Participation Series 2003A (2003A Certificates) in the amount of $10.615 million dated May 1, 2003. The 2003A Certificates include $6.575 million of serial certificates with interest rates ranging from 3.5% to 5.0% and maturity dates ranging from 2013 to 2022. The 2003A Certificates include $4.040 million of term certificates due June 1, 2018, with an interest rate of 4.0%. The certificates maturing on or after June 4, 2014, have an optional redemption prior to maturity without premium. The certificates maturing on June 1, 2018, are subject to mandatory sinking fund redemption without premium. All 2003A Certificates are subject to extraordinary redemption pursuant to the debt documents. The 2003A Certificates were issued at a premium of $2 thousand. The University realized net proceeds of $10.384 million after payment of $233 thousand for issuance costs, underwriters discount and insurance. The net proceeds from the sale of these certificates are being used to advance-refund the Certificates of Participation Series 1997 with an outstanding principal balance of $1.630 million and $8.040 million of the Certificates of Participation Series 2001B with an outstanding balance of $21.425 million. The advance-refunding reduced the University's debt service by an average of $781 thousand per year in the first ten years. However, the total debt service on the refinancing debt is greater than the total debt service on the refunded debt by $5.514 million. Thus, the net present value of the difference between the old debt service and the new debt service payments is an additional cost of $675 thousand to the University. The refunded Certificates of Participation Series 1997 and 2001B will be paid by investments held in an irrevocable trust with a combined carrying value of $11.642 million. The refunded debt is considered to be defeased and is not included in the University of Arizona financial statements.

The University of Arizona had outstanding at June 30, 2003, two Variable Rate Certificates of Participation Series 1999B and 2000A totaling $63.5 million. Both certificates bear interest at a weekly rate determined by Paine Webber, as remarketing agent, with final maturity dates of June 1, 2024 and June 1, 2025, respectively. These certificates are subject to conversion, at the option of the Arizona Board of Regents, to an adjustable rate, an annual rate, or a term rate pursuant to the debt documents. If not converted, the 1999B and 2000A certificates will bear interest at a weekly rate not to exceed 12 percent per annum determined under prevailing market conditions by the remarketing agent.

A summary of the COPs issued as of June 30, 2003, is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Amount Authorized and Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
School for the Deaf and Blind/Game and Fish	1993	2011	$ 31,250	$ 18,265	2.75 – 5.0%
Refunding Certificates of 92A, 92C, & 1091	2001	2011	57,930	55,225	3.25 – 5.25
Health Lab/HRIS	2002	2022	63,270	57,680	3.0 – 5.5
Refunding Certificates of 92B	2002	2011	75,295	75,295	2.0 – 5.5
School Facilities Board	2003	2018	372,730	372,730	1.6 – 5.25
AHCCCS	1994	2005	12,642	3,316	6.66
Total Governmental Activities:			613,117	582,511	
Business-Type Activities:					
Industrial Commission Special Fund	1985	2005	17,500	6,000	Variable
Arizona State University:					
Towers Project	1991	2010	4,500	2,645	6.89
West Campus - Refunding	1993	2009	46,905	30,135	5.18
Downtown Center – A	1999	2024	5,620	5,365	5.75
Downtown Center – B	1999	2024	5,165	4,995	8.00
2002 Certificates of Participation	2002	2026	103,800	103,800	4.75
University of Arizona:					
Residence Life	1994	2014	16,725	12,000	4.1 – 5.8
Fixed Student Union A	1999	2024	21,607	22,123	5.0 – 5.3
Student Union B	1999	2024	36,500	36,500	Variable
Parking Garage/Residence Hall	1999	2024	18,635	18,245	4.2 – 5.75
McKale/UAPD/Mt. Graham	2000	2025	28,300	27,000	Variable
Park Student Union/Ln Svcs/6th St Gar	2001	2025	31,695	31,340	3.4 – 5.5
Gittings Bldg. Highland Infra. Life Sci.	2001	2022	21,425	13,386	3.0 – 5.125
Student Housing, Health Bldg., UA North	2002	2022	76,965	75,150	3.75 – 5.5
Meinel Bldg & Refund COPS 1994B	2002	2023	29,845	29,845	3.0 – 5.125
Refund COPS 1997 & Portions and Series 2001B	2003	2022	10,615	10,615	3.5 – 5.0
Total Business -Type Activities:			475,802	429,144	
Total Certificates of Participation:			$ 1,088,919	$ 1,011,655	

Principal and interest debt service requirements on COPs outstanding at June 30, 2003, are as follows (expressed in thousands):

	Annual Debt Service					
	Governmental Activities			Business-Type Activities		
Fiscal Year	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2004	$ 10,522	$ 33,758	$ 44,280	$ 14,310	$ 18,262	$ 32,572
2005	31,553	27,474	59,027	14,330	17,733	32,063
2006	31,436	26,151	57,587	16,590	17,122	33,712
2007	32,290	24,848	57,138	14,050	16,516	30,566
2008	33,440	23,507	56,947	15,110	15,866	30,976
2009-2013	191,070	91,006	282,076	83,850	69,645	153,495
2014-2018	241,935	35,412	277,347	108,488	49,389	157,877
2019-2023	10,265	1,350	11,615	127,616	20,853	148,469
2024-2026	-	-	-	34,800	2,032	36,832
Total	$ 582,511	$ 263,506	$ 846,017	$ 429,144	$ 227,418	$ 656,562

D. LEASES AND INSTALLMENT PURCHASES

1. Leases

The total operating lease expenses for the fiscal year ended June 30, 2003, were $38.839 million for governmental activities, $19.033 million for business-type activities, and $1.477 million for the Component Units. The future minimum lease payments for long-term operating leases as of June 30, 2003, are summarized below (expressed in thousands):

Fiscal Year	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Component Units	Total
2004	$ 29,421	$ 2,952	$ 637	$ 33,010
2005	22,820	1,421	491	24,732
2006	15,540	1,081	466	17,087
2007	9,267	650	110	10,027
2008	2,231	372	113	2,716
2009-2013	781	31	156	968
2014-2018	1	-	-	1
Total Minimum Lease Payments	$ 80,061	$ 6,507	$ 1,973	$ 88,541

Many operating leases are for buildings and land leased by State agencies. Although these leases are considered to be long-term, they are cancelable under certain circumstances.

* An agency must be able to cancel the lease if monies are not appropriated to cover the lease expenditures.

* If an agency is ordered to move into State-owned property and a 60-day notice is given, the lease can be canceled without penalty.

* In situations where the use of the leased property is dependent on the use of Federal monies, the lease must be cancelable in the event Federal monies are no longer available.

The State has entered into capital lease agreements for the acquisition of buildings, telephone systems, copy machines and other equipment. A lease is reported as a capital lease if one or more of the following criteria is met:

- Title to or ownership of the asset is transferred to the State at the end of the lease.

- The lease contains a bargain purchase option.

- The lease term is equal to 75% or more of the useful life of the leased asset. (This criteria does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90% of the fair market value of the lease asset. (This criteria does not apply if the beginning lease term falls within the last 25% of the total useful life of the asset.)

The future minimum lease payments for long-term capital leases (all primary government) as of June 30, 2003 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service Governmental Activities	Annual Debt Service Business-Type Activities
2004	$ 9,931	$ 8,772
2005	10,181	6,659
2006	10,135	5,568
2007	10,149	4,047
2008	10,294	2,784
2009-2013	51,957	8,665
2014-2018	56,490	156
2019-2023	63,981	-
2023-2028	58,686	-
Total minimum lease payments	281,804	36,651
Less: amount representing interest	(89,007)	(4,728)
Less: amount representing executory costs	(88,153)	-
Present value of net minimum lease payments	$ 104,644	$ 31,923

2. Installment Purchases

The State has installment purchase contracts payable for acquisitions of computer and other equipment. Installment purchases assets and liabilities are reported in the government-wide Statement of Net Assets.

The future minimum payments for long-term installment purchases (all primary government) as of June 30, 2003, are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service Governmental Activities	Annual Debt Service Business-Type Activities
2004	$ 4,092	$ 931
2005	1,033	730
2006	599	624
2007	389	416
2008	283	341
2009-2013	71	1,439
2014-2018	-	-
Total future minimum payments	6,467	4,481
Less: amount representing interest	(279)	(658)
Obligations under installment purchases	$ 6,188	$ 3,823

3. Capital Assets Financed through Capital Leases and Certificates of Participation

The following table summarizes the historical costs of assets acquired under capital leases and certificates of participation:

	Governmental Activities	Business-Type Activities
Land	$ 6,078	$ -
Construction in Progress	31,929	-
Buildings	282,305	319,164
Improvements other than Buildings	2,420	-
Equipment	12,616	-
	335,348	319,164
Less: Accumulated Depreciation	(83,441)	(38,920)
Carrying Value	$ 251,907	$ 280,244

E. NOTES PAYABLE

The Arizona Department of Transportation (ADOT) governmental activities notes payable as of June 30, 2003 was $10.301 million. The notes payable represent the Maricopa Regional Area Road Construction Fund loan payable to the City of Mesa for $8.031 million and the Equipment Fund loan payable to creditors for $2.270 million.

F. LITIGATION

The amounts shown for the *Ladewig vs. Arizona Department of Revenue* settlement and the *Schofield vs. State of Arizona* settlement are further discussed in Note 12 – *Commitments, Contingencies, and Compliance*. The State has typically paid for litigation from the General Fund.

G. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2003, the State paid for compensated absences as follows: 80% from the General Fund, 11% from other major funds and 9% from other funds.

H. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-Term Obligations (expressed in thousands):

	Restated Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue Bonds	$ 1,782,510	$ 753,505	$ (362,960)	$ 2,173,055	$ 276,280	$ 1,896,775
Grant Anticipation Notes	182,295	-	(13,150)	169,145	36,755	132,390
Certificates of Participation	231,904	448,025	(97,418)	582,511	10,522	571,989
Capital Leases	8,517	100,276	(4,149)	104,644	1,925	102,719
Installment Purchase Contracts	10,228	2,222	(6,262)	6,188	3,925	2,263
Notes Payable	38,859	6,783	(35,341)	10,301	8,031	2,270
Revenue Bond Premium	28,026	46,377	(4,181)	70,222	5,971	64,251
Certificates of Participation Premium	4,674	34,186	(350)	38,510	2,945	35,565
Total Long-term Debt	2,287,013	1,391,374	(523,811)	3,154,576	346,354	2,808,222
Other Long-term Liabilities:						
Compensated Absences	138,214	162,335	(156,012)	144,537	139,135	5,402
Ladewig vs. Arizona Department of Revenue Settlement	350,000	-	(10,586)	339,414	-	339,414
Roosevelt School District Settlement	88,000	-	(88,000)	-	-	-
Schofield vs. State of Arizona Settlement	-	11,400	-	11,400	-	11,400
Total Other Long-term Liabilities	576,214	173,735	(254,598)	495,351	139,135	356,216
Total Long-term Obligations	$ 2,863,227	$ 1,565,109	$ (778,409)	$ 3,649,927	$ 485,489	$ 3,164,438
Business-Type Activities:						
Long-term Debt:						
Revenue Bonds	$ 596,403	$ 69,635	$ (68,800)	$ 597,238	$ 21,172	$ 576,066
Certificates of Participation	422,010	40,604	(33,470)	429,144	14,310	414,834
Capital Leases	37,758	5,065	(10,900)	31,923	7,649	24,274
Installment Purchase Contracts	3,832	913	(922)	3,823	770	3,053
Notes Payable	-	150	(21)	129	49	80
Revenue Bond Premium	18,114	2,927	(1,906)	19,135	760	18,375
Deferred Amount on Refundings	(8,999)	(5,340)	3,034	(11,305)	(947)	(10,358)
Certificates of Participation Premium	2,680	-	(129)	2,551	-	2,551
Total Long-term Debt	1,071,798	113,954	(113,114)	1,072,638	43,763	1,028,875
Other Long-term Liabilities:						
Compensated Absences	46,315	52,381	(51,108)	47,588	8,355	39,233
Total Other Long-term Liabilities	46,315	52,381	(51,108)	47,588	8,355	39,233
Total Long-term Obligations	$ 1,118,113	$ 166,335	$ (164,222)	$ 1,120,226	$ 52,118	$ 1,068,108
Component Units:						
Long-term Debt:						
Revenue Bonds	$ 384,415	$ -	$ (15,740)	$ 368,675	$ 15,695	$ 352,980
Revenue Bond Discount	(4,560)	-	351	(4,209)	-	(4,209)
Revenue Bond Premium	4,964	-	(291)	4,673	-	4,673
Total Long-term Debt	384,819	-	(15,680)	369,139	15,695	353,444
Other Long-term Liabilities:						
Compensated Absences	7,918	9,320	(9,345)	7,893	3,482	4,411
Other	-	4,948	-	4,948	-	4,948
Total Other Long-term Liabilities	7,918	14,268	(9,345)	12,841	3,482	9,359
Total Long-term Obligations	$ 392,737	$ 14,268	$ (25,025)	$ 381,980	$ 19,177	$ 362,803

Beginning balances for notes payable in the governmental activities and the business-type activities have been restated for the Department of Transportation. The Board Funding Obligations issued by the Transportation Board and outstanding at fiscal year end 2002 should have been reported as interfund receivables/payables in fiscal year 2002. These obligations are to be paid to the General Fund from the Transportation & Aviation Planning, Highway Maintenance & Safety (governmental activities) and the Highway Expansion & Extension Loan Program (H.E.L.P., business-type activities) for the outstanding amount of $60.010

million and $145.536 million, respectively. Additionally, the Transportation & Aviation Planning, Highway Maintenance & Safety notes payable to the H.E.L.P. in the outstanding amount of $93.980 million at fiscal year end 2002 should have been reported as an interfund receivable/payable in fiscal year 2002. The remaining notes payable for governmental activities and business-type activities represent amounts payable to third parties.

The above long-term obligations relating to governmental activities include internal service funds. Amounts for installment contracts and compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because liabilities of $481 thousand of installment contracts and $10.401 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

NOTE 7. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances, as of June 30, 2003, are as follows (expressed in thousands):

	Due To						
Due From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Total Due To
General Fund	$ -	$ -	$ 291	$ 30,548	$ 92	$ 6,061	$ 36,992
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	62,554	-	-	6,156	109,540	-	178,250
Land Endowments Fund	15,159	-	-	9,683	-	11	24,853
Non-Major Governmental Funds	46,832	264	-	2,618	-	387	50,101
Unemployment Compensation Fund	15	-	-	286	-	-	301
Lottery Fund	-	-	-	7,130	-	-	7,130
Non-Major Enterprise Funds	151,645	20,000	-	1,186	-	-	172,831
Internal Service Funds	11	-	-	-	-	6	17
Total Due From	$ 276,216	$ 20,264	$ 291	$ 57,607	$ 109,632	$ 6,465	$ 470,475

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2003 are as follows (expressed in thousands):

	Transferred To							
Transferred From	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	$ -	$ 1,228	$ 341	$ 47,919	$ 746,908	$ -	$ 40	$ 796,436
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	51,936	-	-	459,174	-	-	-	511,110
Land Endowments Fund	18,152	-	-	971	-	-	-	19,123
Non-Major Governmental Funds	304,028	21,557	59	30,848	-	7,281	1	363,774
Non-Major Enterprise Funds	23,744	-	-	1,186	-	-	-	24,930
Internal Service Funds	28,432	-	-	32	-	-	-	28,464
Unemployment Compensation Fund	3,591	-	-	1,598	-	-	-	5,189
Lottery Fund	34,455	-	-	24,611	-	-	-	59,066
Total Transfers In	$ 464,338	$ 22,785	$ 400	$ 566,339	$ 746,908	$ 7,281	$ 41	$ 1,808,092

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) Legislative appropriations from the general fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

NOTE 8. ACCOUNTING CHANGES AND RESTATEMENTS

A. FUND FINANCIAL STATEMENTS

Fund Balances and Net Assets have been restated as follows (expressed in thousands):

	Governmental Funds		Proprietary Funds		
	General Fund	Other Non-Major Governmental Funds	Universities	Internal Service Funds	Component Units
Fund Balances, as previously reported	$ 712,816	$ 1,125,759	$ 1,738,449	$ (95,961)	$ 866,967
Fund Reclassifications:					
Library and Archives Funds	1,857	(1,857)			
Defensive Driving Fund	2,553	(2,553)			
Arizona State Hospital Construction Fund	24,379	(24,379)			
Construction Insurance Fund	3,887			(3,877)	
Special Services Fund	917			(1,098)	
Surplus Property Fund	221			(689)	
Personnel Division Fund	719			(847)	
Information Technology Fund	633			(657)	
Registrar of Contractors Recovery Fund		5,792			
Other Funds	291	(291)			
Change in application of an accounting principle			(34,544)		
Prior year correction of errors				2,983	53
Change in accounting basis					(546,923)
Fund Balances/Net Assets, as restated	$ 748,273	$ 1,102,471	$ 1,703,905	$ (100,146)	$ 320,097

B. GOVERNMENT-WIDE STATEMENT

Government-wide Net Assets have been restated as follows (expressed in thousands):

	Governmental Activities of Primary Government	Business-Type Activities of Primary Government	Component Units	State Compensation Fund Statutory Basis
Net Assets, as previously reported	$ 12,569,580	$ 2,966,188	$ 866,967	$ 546,923
Fund Reclassifications:				
Registrar of Contractors Recovery Fund	5,792			
Change in application of an accounting principle		(34,544)		
Prior year correction of errors	2,983		53	
Change in accounting basis			(546,923)	(76,733)
Net Assets, as restated	$ 12,578,355	$ 2,931,644	$ 320,097	$ 470,190

1. Fund Reclassifications

Funds previously classified as Special Revenue for the State Library, Archives and Public Records facility and the Supreme Court Defensive Driving Fund have been reclassified to the General Fund based upon further review of their establishing statutes. The

amount of fund equity moved from Special Revenue Funds (Other Non-Major Governmental Funds) to the General Fund was $4.410 million.

The Arizona State Hospital Construction Fund was reclassified from a Capital Projects Fund (Other Non-Major Governmental Funds) to the General Fund. Capital projects not funded by the issuance of long-term debt may be accounted for in the fund that is paying for project construction costs. The construction of the Arizona State Hospital is being funded by unrestricted tax revenues. The amount of fund equity reclassified is $24.379 million.

The Registrar of Contractors Recovery Fund has been reclassified from an Agency Fund to a Special Revenue Fund. The reclassification resulted in an increase in fund equity of $5.792 million. This reclassification affects both the fund level statements and the Government-wide Statement of Net Assets.

All "Other Internal Service Funds" at fiscal year end 2002 have been reclassified to the General Fund for fiscal year 2003. The reclassified funds do not provide services to all agencies of the State or were being utilized as cost allocation plans for the benefit of the General Fund. Internal Service Funds are recorded on a full accrual basis. The General Fund is recorded on a modified accrual basis. For purposes of fund reclassifications, the General Fund will not record the 2002 fiscal year end $924 thousand of capital assets (net of accumulated depreciation) or $133 thousand of Compensated Absences reported by "Other Internal Service Funds". Net assets deleted from the "Other Internal Service Funds" at July 1, 2002, is $7.168 million. Fund balance added to the General Fund at July 1, 2002 is $6.377 million.

Several funds reclassified due to a change in fund type are included as "Other Funds". The net amount of fund equity reclassified to the General Fund is $291 thousand.

2. Change in Application of an Accounting Principle

In fiscal year 2003, the University of Arizona increased its capitalization threshold for equipment from $1,000 to $5,000 to enhance asset management and data integrity. The decrease in net assets was $34.544 million.

3. Prior Year Correction of Errors

The Sick Leave Liability Fund overstated the future benefits liability (compensated absences) in fiscal year 2002 by $1.960 million.

The Technologies & Telecommunications Fund omitted $1.023 million of capital contributions when the 2002 statements were prepared.

The Water Infrastructure Finance Authority omitted capital assets, net of depreciation, of $53 thousand when the 2002 statements were prepared.

4. Change in Accounting Basis

For fiscal year 2003, the State Compensation Fund prepared a Statutory-Basis Financial Statement for calendar year 2002. The fiscal year 2002 statement was prepared in accordance with GAAP.

NOTE 9. FUND DEFICIT

The major contributor to the Industrial Commission Fund deficit of $25.039 million is the $48.240 million increase in the actuarial liability for several insolvent insurance carriers and self-insured plans. The Industrial Commission Fund is responsible for paying all current and future Arizona workers' compensation claims of these companies. Some of the claims expense will be recovered over a period of years as the Industrial Commission Fund receives liquidation distributions from the bankrupt companies. In addition, the deficit will also be recovered through the reinstatement of the Industrial Commission Fund assessments in fiscal year 2004 on all self-insured plans and insurance carriers doing workers' compensation business in Arizona. This is the first time these assessments will have been levied since 1992.

The Internal Service Funds deficit primarily results from the Risk Management Fund net losses in prior years. The Risk Management Fund deficit of $214.617 million is primarily due to the State's policy of funding 50% of the actuarially determined

liability. However, 100% of the liability is recorded for financial statement purposes. The Risk Management Fund accumulated deficit at June 30, 2003, should be recovered through annual adjustments to insurance billings. The entire liability is reflected in the Internal Service Funds. Current period losses are allocated to functions of government in the government-wide Statement of Activities.

NOTE 10. RELATED PARTY TRANSACTIONS

A. ARIZONA STATE UNIVERSITY

Not included in the accompanying financial statements are six financially interrelated organizations that are nonprofit corporations controlled by separate Boards of Directors whose goals are to support Arizona State University. Financial statements of these organizations are audited by independent auditors.

Four of these financially interrelated organizations (the Arizona State University Alumni Association, Arizona State University Foundation, Sun Angel Foundation and the Sun Angel Endowment) receive funds primarily through donations and dues, and contribute funds to the University for support of various programs.

A fifth financially interrelated organization, Price-Elliott Research Park, Inc. (Park), is developing a research park to promote and support research activities, in coordination with the University. In developing the research park, the Park has issued bonds guaranteed by the University.

As of June 30, 2003, the Park had $18.0 million of revenue bonds outstanding at an average interest rate of 5.26%. The debt service on the bonds is secured by a subordinated lien on University Main Campus revenues. Park revenues are not pledged in order to provide development flexibility to the Park.

Annual debt service on the Park bonds will be $900 thousand in fiscal year 2004 and varies from a low of $900 thousand in fiscal year 2004 to a high of $1.7 million in fiscal year 2006. The University is obligated to pay the annual debt service, if not paid by the Park, under a debt service assurance agreement.

Beginning in fiscal year 1990, the University provided operating cash advances to the Park repayable with interest to the University (1) upon the Park's total gross receipts for a fiscal year exceeding its total disbursements for the fiscal year and (2) before any Park surpluses are transferred to the Arizona State University Foundation, for the benefit of Arizona State University. The last year for cash transfers to the Park was fiscal year 1998. Since the Park's repayment to the University was dependent upon successful future operations and entering into additional land leases, the transfers to the Park were recorded by the University as current year expenditures when made and not as an asset on the University's balance sheet. Total cash advances repayable to the University at June 30, 2003, including the accrued interest, totaled $5.4 million. During fiscal year 2003, the Park repaid $1.2 million to the University, with this amount being recorded as other revenues with the timetable for future repayments dependent upon the Park entering into additional land leases.

A sixth financially interrelated organization, the Collegiate Golf Foundation, operates a University-owned golf course.

Assets, net assets, and revenues for these organizations for the most recent fiscal year for which audits have been completed aggregated $356.1, $258.0 and $95.2 million, respectively, with substantially all of the net assets being donor restricted or endowment funds.

The University has, or is in the process of entering into several privatized arrangements for on-campus student housing and campus energy management where an independent management company is responsible for providing services to the University and/or students served by the University. In conjunction with these privatized arrangements, the independent management companies, with the approval and assistance of the University have obtained, or are in the process of obtaining, tax-exempt financing in order to maximize the overall financial benefits to the University and its students. As of June 30, 2003, four tax-exempt financings had been completed by an independent management company through separately incorporated nonprofit entities formed by the independent companies to do the tax-exempt financings. The University is not legally responsible for repayment of the tax-exempt debt, and there is no pledge or guarantee by the University for repayment of the debt. On June 30, 2003, there were $79.1 million of bonds outstanding for these four privatized arrangements with approximately $14.0 million of financings for another privatized arrangement effectively in process. Upon final principal repayment of the financings, title to the student housing and energy management equipment transfers to the University. In addition to the privatized and third party

financings existing as of June 30, 2003 or in process as of this date, the possibility exists for several more third party financings to occur during fiscal 2004, totaling around $100 million.

Subsequent to June 30, 2003, the University received approval from the Arizona Board of Regents to enter into a lease with ASUF, LLC, an Arizona limited liability company to be formed by the ASU Foundation. The University will lease a portion of the project, approximately 90,000 square feet of office space and the related parking structure. The lease payments will start during fiscal 2005, after construction is completed and will be approximately $2.4 million per year for approximately thirty years.

B. NORTHERN ARIZONA UNIVERSITY

The financial activities of the Northern Arizona University Foundation, Inc., (Foundation) and the Northern Arizona Capital Facilities Finance Corporation (NACFFC) are not included in the accompanying financial statements. The Foundation and the NACFFC are nonprofit corporations controlled by separate Boards of Directors. The goals of the Foundation are to promote the cause of education and the objectives of the University. The NACFFC was formed for the purpose of building on-campus student housing.

The NACFFC, with the approval and assistance of the University, has obtained tax-exempt financing to construct a student housing facility. The University is not legally responsible for repayment of the tax-exempt debt, and there is no pledge or guarantee by the University for repayment. The housing facility was opened in the fall of 2002 and daily operations are managed by the University. On June 30, 2003, there were $15.4 million of bonds outstanding for this privatized arrangement. Upon final principal repayment of the financing, title to the student housing transfers to the University. This housing is built on University property that is leased to the NACFFC for the term of the bond issue.

C. UNIVERSITY OF ARIZONA

The accompanying financial statements do not include the operations of the University of Arizona Foundation, Inc., the University Physicians, Inc., the Southern Arizona Capital Facilities Finance Corporation, the Arizona Research Park Authority, and the Campus Research Corporation.

The University of Arizona Foundation, Inc. (Foundation) is a nonprofit corporation controlled by a separate Board of Directors. The principal goals of the Foundation are to support the University of Arizona through various fund-raising activities, and to contribute funds to the University for support of various programs. According to the audited financial statements of the Foundation for the year ended June 30, 2002, assets, liabilities, revenues, and expenditures totaled $298, $28, $43 and $43 million, respectively.

The University Physicians, Inc. (UPI) is a nonprofit corporation established to support the University of Arizona in achieving its teaching and research missions through the provision of patient care. The UPI is controlled by a Board of Directors comprised of the Dean, three faculty physicians, a representative of the twelve clinical department heads and three community members. According to the audited financial statements of the UPI for the year ended June 30, 2002, assets, liabilities, revenues and expenditures totaled $117, $57, $163 and $154 million, respectively.

The Southern Arizona Capital Facilities Finance Corporation (SACFFC) is a nonprofit corporation formed in June 2002 and governed by a separate Board of Directors. SACFFC acquires, constructs, and operates student housing for the benefit of the University of Arizona. On July 3, 2002, SACFFC issued tax-exempt Certificates of Participation in the amount of $20.875 million for 30 years to construct a student housing facility on University property, under a ground lease agreement with the Arizona Board of Regents. The term of the agreement is 40 years or until the debt is retired. The University is not legally responsible for repayment of the tax-exempt debt, and there is no pledge or guarantee by the University for repayment of the debt. The student housing facility is expected to open in September 2003, operated by a private company under a Management Agreement with SACFFC. Audited financial statements are not available.

The Arizona Research Park Authority (ARPA) is a nonprofit corporation created under the auspices of the Arizona Board of Regents (ABOR) and designated by Arizona law as a political subdivision of the State, governed by a separate Board of Directors, which by law may not include officers or employees of ABOR. The ARPA was established under the State's industrial development authority statute to assist in the acquisition, improvement, and operation of university research parks and related properties. In August 1994, ARPA, with approval of ABOR, sold $98 million of nontransferable special revenue bonds to International Business Machines Corporation (IBM) to enable the University to acquire from IBM a 345-acre developed

industrial site near Tucson, Arizona, together with 1,000 acres of adjacent unimproved land (collectively, the University of Arizona Science and Technology Park or the "Park"). The bonds are payable solely from lease rentals paid by IBM. If IBM defaults or cancels its lease, the bonds must be surrendered and discharged. Title to the entire Park resides in the University and neither the Park nor any payments by the University secures ARPA's bonds. Since the original transaction, IBM has reduced its leasehold to 68% of the building space for periods up to the remaining term of 21 years. Audited financial statements are not available.

The Campus Research Corporation (CRC) is a nonprofit corporation governed by a separate Board of Directors and was established to assist the University in the acquisition, improvement, and operation of the Park and related properties. The CRC currently leases from the University the remaining 32% of the building space of the Park that is not leased to ARPA (see preceding paragraph). The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The University is responsible for payment of operational expenses associated with the space occupied by the University departments, offices, and programs. All income received by the CRC from its activities, after payment of expenses and financial reserves, will be distributed to the University. During fiscal year 2003, $350 thousand was distributed to the University of Arizona. In February 2003, Arizona Center for Innovation, LLC (AzCI), a wholly owned subsidiary of CRC, was organized for the purpose of promoting the development of high technology companies in southern Arizona. AzCI's financial statements have been consolidated with the CRC's and all significant intercompany transactions have been eliminated.

The CRC's June 30, 2003, audited financial statements disclosed:

- $20.199 million total assets, including $10.307 million in net property and equipment and $4.776 million of net intangible assets, the major components of which relate to leasehold interest and deferred leasing costs.
- $13.182 million total liabilities, including $10.493 million of long-term debt in the form of two collateralized notes payable to Wells Fargo, Arizona.
- $6.283 million total revenues, primarily consisting of rental income from the Park and related properties.
- $7.293 million total expenses, including $2.431 million of project operating costs, $729 thousand amortization of intangible assets and a $1.744 million loss on interest rate swap agreements.
- During fiscal year 2003 cash and cash equivalents increased by $450 thousand.

The CRC's audited financial statements may be obtained by writing to the Office of Economic Development, P.O. Box 210066, Tucson, Arizona 85721-0066.

D. UNIVERSITY MEDICAL CENTER

The University Medical Center (UMC) and the University of Arizona (the University) both provide and receive services from each other under various contracts. Payments to the University by the UMC include resident and intern salaries, utilities, ground maintenance, mailroom operations and various administrative functions. Amounts paid to the University for these services were $15.714 million for the year ended June 30, 2003.

The UMC has entered into contractual agreements with the University to provide support for the academic mission of the University. Charges to the University for such services and facilities provided by the UMC were $9.90 million for the year ended June 30, 2003. These amounts are included in other operating revenue in the accompanying financial statements.

University Physicians, Inc. (UPI) is a not-for-profit corporation whose members are physicians employed by the University and who practice at the UMC. The UMC has agreements with UPI whereby the UPI provides physician and other services to UMC. Additionally, the UMC provides healthcare services to the UPI.

NOTE 11. JOINT VENTURES

A. UNIVERSITY OF ARIZONA

The University of Arizona (the University) is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992, pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the University and the Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate and maintain a binocular telescope currently being

constructed in Arizona. The current members of the LBT are the University, Arcetri Research Corporation, Ohio State University and the LBT Beteiligungsgesellschaft.

The University has committed resources equivalent to 25% of the project's construction costs and the LBT's annual operating costs. As of June 30, 2003, the University has made cash contributions of $14.0 million toward the project's construction costs. The University's financial interest represents its future viewing/observation rights. Upon completion of construction, viewing rights will be divided among the participants in proportion to their contributions. According to the audited financial statements of the LBT for the year ended December 31, 2002, assets, liabilities, revenues and expenses totaled $84.0 million, $1.0 million, $10.0 million and $3.0 million, respectively.

The LBT's separate audited financial statements can be obtained from LBT Project Office, Steward Observatory, University of Arizona, Tucson, AZ 85721-0065.

B. UNIVERSITY MEDICAL CENTER

The University Medical Center entered into a joint venture with Med-Forte Research Foundation, a Utah Corporation and an affiliate of the University of Utah, to form CardioWest Technologies, Inc. (CardioWest) in 1991. CardioWest was established to continue research and production of artificial heart technology and similar products. During 2002 the University Medical Center sold certain assets of CardioWest in exchange for a note receivable in the amount of $417 thousand and 15,000 shares of common stock of a newly formed company, Syncardia. There was no material gain or loss on the sale of the assets. The University Medical Center's interest in CardioWest was approximately 73% and the results of operations have been included in the financial statements through the date of the asset sale.

NOTE 12. COMMITMENTS, CONTINGENCIES AND COMPLIANCE

A. RISK MANAGEMENT INSURANCE LOSSES

The Department of Administration – Risk Management Section manages the State's property, environmental, liability and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Section. Consequently, all agencies and the State's three universities are required to participate in this program. The State's Risk Management Section evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Industrial Commission provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Section, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Industrial Commission encompass losses against uninsured or underinsured employers, insolvent insurance carriers' payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments and compensation for loss of earnings associated with the disability. The Industrial Commission is totally self-insured.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (Internal Service Fund) and the Industrial Commission Fund (Enterprise Fund). As discussed in the following paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Section will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Interest and dividend earnings of investments currently fund the Industrial Commission Fund. To provide funding for workers' compensation claims, the Industrial Commission could direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers and self-insured plans during the immediately preceding calendar year. No such assessments have been made by the Commission since January 1992.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, salvage, subrogation, loss development factors and an estimate for incurred but not reported claims.

The Industrial Commission Fund discounts all benefit reserves at three and one-half percent, except for medical. Medical benefits are discounted at an assumed inflation rate equal to the investment rate of return earned by the Industrial Commission

Fund. During fiscal year 2003, claims for six new insolvent medical insurance companies were assigned to the State Compensation Fund and were included in the Industrial Commission's June 30, 2003 actuarial study. The State Compensation Fund, on behalf of the Industrial Commission, has filed proof of claim requests with ancillary receivers, liquidators holding deposits and surety bonds on these insolvent companies totaling $58 million. Since the actual amount that will ultimately be received cannot be determined, the Industrial Commission will continue to recognize receipt of insolvent carrier deposits (no insurance settlement income) as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Section agrees with claimants to purchase an annuity contract to settle these specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State requires the claimant to sign an agreement releasing the State from any further obligation. In addition, the State requires that a third party assignment company be named in the contract should the annuity company fail to perform its obligations under the annuity contract. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2002 and June 30, 2003 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2002	$ 233,677	$ 56,306	$ 55,652	$ 234,331
2003	234,331	55,005	56,256	233,080
Industrial Commission Fund:				
2002	150,470	52,892	15,697	187,665
2003	187,665	69,355	17,282	239,738

B. LITIGATION

In *Ladewig vs. Arizona Department of Revenue,* Ladewig is a class action tax refund case. The class members are seeking refunds for Arizona income tax paid on dividends received from corporations doing less than 50% of their business in Arizona during the years 1986 through 1989. The trial court held that such taxes violated the Commerce clause of the U.S. Constitution and certified the class. The class certification was upheld by the Arizona Supreme Court in 2001. The Tax Court approved a settlement in December 2002. Accordingly, the State has recorded a long-term liability in its financial statements in the amount of $339.4 million.

In *Kerr vs. Killian,* federal employees claimed an income tax refund on taxes paid on federal employee contributions. The Board of Tax Appeals granted these claims for the years before 1991, but has denied the claim for later years. The State did not appeal. The plaintiffs appealed for years after 1990. The Tax Court awarded attorneys fees from refunds the State is paying, and this ruling was upheld on appeal. The State has filed a petition for review. The attorneys' fees will be paid from funds otherwise due to taxpayers, so there will be little monetary effect on the State if the fees are awarded. The Tax Court has denied class certification, and ruled for the Plaintiffs on the merits regarding entitlement to refunds for years after 1990. The State appealed the substantive law issue and the Plaintiffs have appealed the denial of class certification, and the Court of Appeals ruled against the State. The Supreme Court has granted review, and supplemental memoranda was filed November 28, 2003. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, the State could incur losses ranging from $20 million to $100 million.

In *Roosevelt Elementary School District No. 66 vs. State of Arizona,* the plaintiffs allege the State failed to fully fund the Building Renewal Fund established by the Students FIRST legislation. On October 13, 2000, the court held that the State did not violate the statutory provisions regarding funding of the Building Renewal Fund for fiscal year 1998-99. However, the court held that neither party was entitled to summary judgement regarding funding for fiscal year 1999-00, and that in order to prevail on that claim, the plaintiffs would have to demonstrate that they were injured by the alleged underfunding. On February 21, 2002, the court granted the plaintiffs' motion to file an amended complaint, which included similar allegations regarding funding for fiscal

year 2001-02. The parties both moved for summary judgment once again regarding the remaining claims in the case (fiscal years 1999-2000 and 2001-02), and on May 7, 2002, the trial court granted the plaintiffs' motion for summary judgment as to both years. The State timely appealed the decision to the Arizona Court of Appeals. On August 14, 2003, the Court of Appeals reversed the decision of the trial court and remanded the matter back to the trial court. Plaintiffs have filed a petition for review in the Arizona Supreme Court. The matter has been briefed, but no date for decision by the court has been set. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State could incur losses of approximately $88 million.

In the *Somerton Elementary School District No. 66 vs. State of Arizona*, the plaintiffs' claim is identical to that alleged in the *Roosevelt Elementary School District* case discussed above, except that it involves the level of State funding for the Building Renewal Fund for the fiscal year 2002-03. Because the issues raised in this case are identical to those raised in the *Roosevelt Elementary School District* case, it was assigned to the same trial court judge. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State could incur losses of approximately $90 million.

In *Schofield vs. State of Arizona*, a class action for on-call compensation was filed on behalf of all current and former State employees who were required to be on-call after normal working hours under State Personnel Rule R2-5-307. The parties entered a settlement agreement providing for the administration of individual claims by arbitrators. All State agencies, except the Department of Corrections (DOC), have completed the claims process. Accordingly, the State has recorded a long-term liability in its financial statements in the amount of $11.4 million to settle DOC claims.

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, that losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers' compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety, environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the Internal Service Funds and the Industrial Commission Fund.

C. ACCUMULATED SICK LEAVE

State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1500 hours upon retirement directly from State service. The benefit value is calculated by taking the State employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1500 hours. The maximum benefit value is $30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the financial statements as an Internal Service Fund and accounts for the retiree accumulated sick leave. Unused accumulated sick leave of employees of the State, excluding Universities, at June 30, 2003, totaled $298.324 million.

D. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires deposit of certain unclaimed assets into a managed Agency Fund. ARS §44-313 requires a separate trust fund of not less than $100 thousand to be retained for prompt payment of claims. The excess amount, above that which is required to be retained, is required to be deposited to the General Fund where it is included as other revenue. Under a statute that took effect July 1, 1990, up to $1.0 million in unclaimed utility deposits is deposited in the Utility Assistance Fund to help low income and elderly people make utility deposits and repairs. Fifty-five and twenty percent of the remaining net cash collected, after refunds, is transferred to the Department of Commerce Housing Fund to be used for low-cost housing and the State Treasurer for distribution as provided for in ARS §5-113, respectively. The balance is to be deposited in the General Fund. For fiscal year 2003, $1.119 million was deposited in the Utility Assistance Fund, $17.951 million was deposited in the Housing Fund, $6.528 million was deposited with the State Treasurer and $6.836 million was deposited in the General Fund. A total of approximately $258.681 million has been remitted since inception of the fund. In addition, the State is also holding stock valued at $22.0 million. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The Governmental Accounting Standards Board requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. This liability is reported in the General Fund because

it is the fund to which the property ultimately escheats in Arizona. At June 30, 2003, this amount, reported as Due to Others in the General Fund, is $103.036 million.

E. CONSTRUCTION COMMITMENTS

The Arizona Department of Transportation had outstanding commitments under construction contracts of approximately $650.738 million at June 30, 2003.

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over $400 thousand for which winners will receive the jackpot in annual installments for the Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor's, Moody, Duff & Phelps or Weiss. The Lottery remains contingently liable on all annuities. Aggregate future payments to prize winners on existing annuities totaled approximately $271.821 million at June 30, 2003. Approximately $184.215 million of the total aggregate future payments at June 30, 2003 relate to annuities purchased from five separate insurance companies, of which approximately $81.431 million relates to a single insurance company.

In 1994, an insurance company from which the Lottery purchased annuities during the period 1983 through 1989 was placed under State supervision. At June 30, 2003, remaining aggregate minimum future payments on such purchased annuities approximated $8.186 million. In 1997, an insurance company from which the Lottery purchased annuities in 1986 was placed under State supervision. At June 30, 2003, remaining aggregate minimum future payments on such purchased annuities approximated $1.566 million. As of December 10, 2003, both insurance companies were current in their required annuity payments. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the operations or financial position of the Lottery.

NOTE 13. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State received $109.489 million in fiscal year 2003. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a "volume adjustment," which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable, the State did not record a receivable for the future payments at June 30, 2003.

NOTE 14. PUBLIC-PRIVATE PARTNERSHIP

The State of Arizona has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. This agreement stipulates that Accenture will be paid 90 percent of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture has created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2003, the State has paid Accenture $2.623 million towards the $140.330 million contract cost. Included in the contract cost, are application support charges of $32.986 million.

NOTE 15. CONDUIT DEBT

In December 2002, the Greater Arizona Development Authority (GADA) issued $7.64 million Infrastructure Revenue Bonds, Series 2002 for public infrastructure projects in the communities of Clarkdale, Coolidge and Guadalupe in the amounts of $400 thousand, $3.795 million and $3.445 million, respectively. GADA's bond structure provides lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. The GADA Fund is

leveraged when GADA issues its bonds, which maximizes loan capacity for communities. An intercept mechanism for intercepting state-shared revenues for loans to political subdivisions enhances the security of the GADA bonds even further.

During previous years, the State has appropriated a total of $20 million to GADA for the express purpose of securing bonds issued by GADA. As of June 30, 2003, the remaining balance in the appropriations account is $16.523 million. The Series 2002 bonds were issued by GADA to make loans to the participants listed above and constitute special and limited obligations of GADA. The principal of and interest on the bonds are payable solely from the funds which are held in Trust by the Trustee (the Trust Estate). The Trust Estate includes debt service payments required to be made by the participants in the Series 2002 bond issue. The principal of and interest premium, if any, on the Series 2002 bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of GADA. The Series 2002 bonds do not constitute a legal debt of the State of Arizona and are not enforceable against the State of Arizona. At June 30, 2003, the outstanding face value of the Series 2002 bonds was $7.64 million and the total outstanding face value of all bonds issued by GADA was $42.73 million.

NOTE 16. SUBSEQUENT EVENTS

On December 1, 2001, the State of Arizona entered into a lease-to-own agreement with Capitol Mall, L.L.C. for the purpose of construction, occupancy and ownership of an office building and related parking facilities located on the capital mall. The State began occupying the buildings on July 1, 2003. The State began making lease payments on September 1, 2003. The scheduled building lease payments for fiscal year 2004 will total $828 thousand. In addition, the State will pay to Capital Mall, L.L.C., on a monthly basis, all estimated operating costs as additional rent. The estimated operating costs for the 2004 fiscal year is $488 thousand. The lease is not a general obligation or indebtedness of the State. The State shall have the right to cancel and terminate the lease only at the end of its fiscal period in the event that funds are not appropriated by the Arizona State Legislature or the Department of Administration fails to allocate monies for any subsequent fiscal period with respect to this lease. The State shall have the right, during the lease term, to purchase the Capital Mall, L.L.C.'s right, title, and interest in this project.

Effective July 1, 2003, the Arizona State University capitalization thresholds for equipment increased to $5 thousand and, the capital threshold for renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of structures increased to $100 thousand.

On July 2, 2003, the court ordered the Freemont Insurance Company, a California corporation, to begin liquidation on July 1, 2003. At June 30, 2003, no Arizona claims had been assigned, and no deposits released to the Arizona State Compensation Fund (a discretely presented component unit of the State of Arizona). The Industrial Commission Special Fund is ultimately responsible for any claims paid by the Arizona State Compensation Fund that are in excess of the deposits received during the liquidation of the insurance company.

On August 6, 2003, the Arizona Department of Transportation issued $148.955 million in Grant Anticipation Notes, Series 2003A to (i) finance a portion of the costs of various projects on the Maricopa County Regional Freeway System, (ii) refund all of the Board's Outstanding Series 2000A Notes and (iii) pay a portion of the costs of issuing the Notes. The Series 2003A Notes are due January 1, 2004, through July 1, 2015. Net proceeds totaled $134.181 million (after receipt of $10.162 million reoffering premium and payment of $249.072 thousand in underwriting fees and costs of issuance).

In August 2003, the Arizona Department of Transportation repaid in advance of scheduled maturity $100.0 million of the Board Funding Obligations (BFOs) deposited to the Highway Expansion and Loan Program (HELP) in fiscal year 2000, and $60.0 million of the BFOs deposited in fiscal year 2002. With interest, the total amount repaid was $172.694 million. Concurrent with these repayments, the Arizona Department of Transportation borrowed $160.0 million ($100.0 million deposited to HELP and $60.0 million deposited to the Transportation & Aviation Planning, Highway Maintenance & Safety Fund) under a new series of BFOs that are payable no later than August 2007.

On September 1, 2003, the Arizona School Facilities Board issued $194.610 million of Certificates of Participation, Series 2003B, with interest rates ranging from 2.25 % to 6.0%, and maturity dates ranging from 2006 to 2019. Series 2003B Certificates maturing after September 1, 2014 are subject to redemption and payment prior to maturity at the option of the Board. The 2003B Certificates are being issued (i) to finance the costs of acquiring leasehold interests in certain school sites and constructing and equipping school facilities which will be subleased to various school districts within the State of Arizona, (ii) to pay capitalized interest on the 2003B Certificates, and (iii) to pay the costs of issuing the 2003B Certificates. Net proceeds totaled $200.000 million after receipt of $11.311 million of net reoffering premium, and payment of $4.616 million of capitalized interest, and payment of $1.305 million of issuance costs.

On October 1, 2003, the Arizona School Facilities Board issued $247.125 million of State School Trust Revenue Bonds. The Series 2003A Bonds will be issued initially as Auction Rate Securities, and will initially bear interest at Auction Rates for generally successive 28-day Auction Periods. The Series 2003A Bonds may be converted, in whole, to Auction Rate Securities (ARS) bearing interest at Auction Rates determined on the basis of a 7-day Auction Period or, with the consent of the Insurer, to other interest rate modes. As long as there is no continuing Event of Default under the terms of the Indenture, the ARS shall be subject to redemption prior to stated maturity by the Board, at the written direction of the Board, on any ARS Interest Payment Date. The 2003A Bonds mature in 2019. The 2003A Bonds are being issued to (i) pay the costs of correcting existing deficiencies in school facilities within the State of Arizona, (ii) pay capitalized interest on the 2003A bonds, and (iii) pay issuance costs of the 2003A Bonds. Net proceeds are estimated to be $225.815 million, after payment of $8.954 million of bond issuance costs, and $12.356 million deposit to the bond reserve account.

Subsequent to June 30, 2003, the Arizona State University issued $103 million of variable rate system revenue bonds with a final maturity of 2034 for various projects, including Arizona Biodesign Institute Phase I.

On September 12, 2001 the Arizona Power Authority (a discretely presented component unit, hereinafter referred to as APA) issued $57.520 million of Special Obligation Crossover Refunding Bonds, bearing an interest rate of 5%, and maturing in 2017. Proceeds from the sale of the bonds along with a fund contribution by the APA will be held in an escrow trust account invested in government securities until October 1, 2003 (the "Crossover Date") when, if certain conditions are met, the crossover refunding is scheduled to take place and $62.630 million of the 1993 Series Power Resource Revenue Refunding Bonds maturing on and after October 1, 2005 will be called. If these conditions are not met, the assets in the escrow trust account will be used to retire the Special Obligation Crossover Refunding Bonds on the Crossover Date. The Special Obligation Crossover Refunding Bonds are payable solely from the amounts in the escrow trust account and are not payable from any other source. Because they are not payable from revenues derived by the APA or secured by any assets held by the APA, neither the Special Obligation Crossover Refunding Bonds nor the assets held in the escrow trust account are reflected in the State's Statement of Net Assets at June 30, 2003. If the crossover occurs on the Crossover Date, the outstanding Special Obligation Crossover Refunding Bonds will be exchanged for 2001 Series Power Resource Revenue Refunding Bonds of the same principal amount, maturity date, and interest rate as the crossover bonds. The proceeds in the escrow trust account will be used to call that portion of the 1993 Series Bonds maturing on and after October 1, 2005.

On October 1, 2003, the APA met the conditions described above to effect the crossover refunding which resulted in $57.520 million of the Special Obligation Crossover Refunding Bonds being exchanged for 2001 Series Power Resource Revenue Refunding Bonds of the same principal amount, maturity date and interest rates as the crossover bonds. In addition, as part of the crossover, $62.630 million of the 1993 Series Power Resource Revenue Refunding Bonds maturing on and after October 1, 2005 were called. As a result of this transaction, the APA recognized an economic gain (difference between the present value of the old and new debt service payments) of $2.096 million. The cash flows required to service the new debt are $4.572 million less than the cash flows required to service the old debt.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
GENERAL FUND			
General Accounting Office			
General Relief	$ 2,347,274	$ 142,271	$ 142,271
Woolsey Flood District	0	56,513	56,513
Operating State Aid - Cochise	5,832,100	5,540,500	5,540,500
Operating State Aid - Coconino	3,058,400	2,905,500	2,905,500
Operating State Aid - Graham	5,528,800	5,252,400	5,252,400
Operating State Aid - Maricopa	49,067,100	46,613,700	46,613,700
Operating State Aid - Mohave	3,821,400	3,630,300	3,630,300
Operating State Aid - Navajo	4,431,900	4,210,300	4,210,300
Operating State Aid - Pima	19,079,700	18,125,700	18,125,700
Operating State Aid - Pinal	5,956,900	5,659,100	5,659,100
Operating State Aid - Yavapai	4,830,700	4,589,200	4,589,100
Operating State Aid - Yuma / La Paz	5,497,500	5,222,600	5,222,600
Equalization Aid - Cochise	2,112,100	2,006,500	2,006,500
Equalization Aid - Graham	6,961,000	6,612,900	6,612,900
Equalization Aid - Navajo	1,357,700	1,289,800	1,289,800
Equalization Aid - Yuma / La Paz	264,000	250,800	250,800
Capital Outlay - Cochise	717,700	681,800	681,800
Capital Outlay - Coconino	336,100	319,300	319,300
Capital Outlay - Graham	649,200	616,700	616,700
Capital Outlay - Maricopa	8,747,100	8,309,800	8,309,800
Capital Outlay - Mohave	463,600	440,400	440,400
Capital Outlay - Navajo	491,100	466,500	466,500
Capital Outlay - Pima	2,794,400	2,654,800	2,654,800
Capital Outlay - Pinal	693,500	658,800	658,800
Capital Outlay - Yavapai	597,300	567,400	567,400
Capital Outlay - Yuma / La Paz	756,400	718,600	718,600
Relief Bill	0	142,271	142,271
Military Airport Preservation Committee			
Military Airport Preservation Committee	107,500	0	0
Boxing Commission			
Operating Lump Sum Appropriation	80,400	80,400	12,243
Administrative Adjustments	0	289	289
Department of Administration			
ASPC Perryville Security Improvements	6,683	0	0
State Hospital Study and Design FY95 - 96	94,373	62,962	34,746
Capitol Mall Maintenance Compound FY98 - 99	8,169	0	0
DOC Reappropriation Prison Lock Replace FY97 - 98	42,617	0	0
Sexually Violent Persons Facility	111,372	558	558
Health Lab COP Rent	0	1,507,231	1,507,231
Building Renewal FY00 - 01	2,090	0	0
Building Renewal FY99 - 00	13,995	0	0
Building Renewal FY98 - 99	2,930	52,771	10,577
Building Renewal FY97 - 98	1,114	1,114	1,114
ASDB Phoenix Transportation Building	37,645	37,645	36,950
Pioneers Home Plumbing Renovations	300,000	300,000	115,770
Operating Lump Sum Appropriation	18,827,300	16,798,700	16,513,369
Performance Based Incentives	199,995	199,995	124,981
Consumer Loss Recovery Program Operating Costs	743,423	0	0
Arizona Financial Information System	1,934,500	1,934,500	1,779,296
Ensco	4,586,100	4,586,100	4,585,100
Administrative Adjustments	0	1,103,326	1,103,326
Operating Lump Sum Appropriation FY02 - 03	4,734,300	4,734,300	4,234,593
Administrative Adjustment	0	75,383	75,383

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Utilities FY02 - 03	6,100,000	6,100,000	5,543,301
Administrative Adjustment	0	189,013	189,013
Relocation FY02 - 03	60,000	60,000	226
Relocation FY01 - 02	60,000	60,000	134
Relocation FY00 - 01	60,000	60,000	0
Relocation FY99 - 00	48,410	48,410	1,885
Relocation FY97 - 98	15	15	0
Building Renewal FY02 - 03	2,882,200	2,461,230	624,170
Building Renewal FY01 - 02	1,163,651	1,113,411	940,843
Building Renewal FY00 - 01	249,394	252,428	50,650
Building Renewal FY98 - 99	7,612	21,417	6,173
Executive Tower Renovations	3,387	3,387	0
Sexually Violent Persons Facility	162,691	21,935	21,935
Land Acquisition and Planning FY91 - 92	12,979	12,979	0
PLTO 1 Backfill Space Renovations FY02 - 03	2,753,000	2,753,000	2,056,713
PLTO 1 Backfill Space Renovations FY01 - 02	55,787	55,787	54,940
Arizona State Hospital Construction FY02 - 03	20,000,000	20,000,000	2,341,665
Arizona State Hospital Construction FY01 - 02	17,353,839	17,353,839	16,698,937
General Fund Transfer 1st Special Session	13,400,000	13,400,000	13,400,000
General Fund Transfer 1st Special Session Chapter 1	0	20,000	20,000
General Fund Transfer 1st Special Session Chapter 1	0	46,700	25,116
Administrative Adjustments	0	18,807	18,807
PLTO 1 Backfill Agency Relocations FY02 - 03	1,007,000	1,007,000	569,625
PLTO 1 Backfill Agency Relocations FY01 - 02	50,000	50,000	24,052
COP Operating Lump Sum	300,000	300,000	268,058
PLTO 1 Backfill Space Renovations	300,000	300,000	183,700
PLTO 1 Project Management FY02 - 03	143,500	143,500	42,605
PLTO 1 Project Management FY01 - 02	41,445	41,445	41,444
General Fund Transfer 1st Special Session Chapter 1	0	159,000	159,000
Operating Lump Sum Appropriation	0	7,902,100	7,423,496
Classification Pilot Program	122,454	122,454	0
HB1464 Personnel Reform	273,045	273,045	0
HRMS Lapsing End of FY 2003	0	1,915,800	1,100,248
HRMS Lapsing End of FY 2004	4,600,000	4,600,000	4,600,000
Administrative Adjustments	0	334,680	334,680
Operating Lump Sum Appropriation	0	290,350	56,735
Operating Lump Sum Appropriation	0	4,059,650	2,109,580
Administrative Adjustments	0	26,564	26,564
Operating Lump Sum Appropriation FY02 - 03	0	275,200	272,584
Operating Lump Sum Appropriation FY01 - 02	11,955	11,955	11,906
Arizona State Hospital Construction FY00 - 01	907,286	907,286	764,702
Arizona State Hospital Construction FY99 - 00	2,416,611	2,416,611	1,695,880
Radiation Regulatory Agency			
Operating Lump Sum Appropriation	1,212,100	1,033,800	1,033,800
Off-Site Nuclear Emergency Response Plan	0	451,600	451,600
Administrative Adjustments	0	3,136	3,136
Office of Equal Opportunity			
Governor's Office of Equal Opportunity	237,700	213,700	212,575
Attorney General			
Capitol Center Expansion	35	0	0
Operating Lump Sum Appropriation	25,482,800	22,911,300	22,878,965
State Grand Jury	160,000	160,000	159,381
Property Tax Supplemental	301	301	0
Alternative Fuel Program	82,400	0	0
Administrative Adjustments	0	72,105	72,105

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Department of Agriculture			
Operating Lump Sum Appropriation	11,522,100	10,192,800	10,138,460
Agricultural Employment Relations Board	23,300	23,300	10,000
Animal Damage Control	65,000	65,000	65,000
Red Imported Fire Ant	23,200	23,200	23,200
Administrative Adjustments	0	59,181	59,181
Arizona State University			
Main Campus - Operating Lump Sum Appropriation	278,574,700	263,293,700	263,293,700
East Campus - Operating Lump Sum Appropriation	13,131,000	12,425,600	12,425,600
West Campus - Operating Lump Sum Appropriation	38,190,200	36,116,500	36,116,500
Auditor General			
Operating Lump Sum Appropriation FY02 - 03	14,685,200	11,076,600	10,778,774
Operating Lump Sum Appropriation FY01 - 02	551,845	551,845	317,901
Operating Lump Sum Appropriation FY00 - 01	400,071	400,071	12,379
Operating Lump Sum Appropriation FY99 - 00	362,777	362,777	81,776
Operating Lump Sum Appropriation FY98 - 99	6,014	6,014	6,014
Banking Department			
Operating Lump Sum Appropriation	2,716,100	2,716,100	2,707,150
Administrative Adjustments	0	2,859	2,859
Board of Fingerprinting			
Board of Fingerprinting	197,400	197,400	88,355
Board of Nursing			
Operating Lump Sum Appropriation FY02 - 03	130,900	130,900	130,701
Operating Lump Sum Appropriation FY01 - 02	7,965	7,965	7,964
Fingerprinting Nursing Assistants	90,198	90,198	0
Board of Regents			
Operating Lump Sum Appropriation	2,203,500	2,085,900	2,085,888
Student Financial Aid Trust Fund	2,251,200	2,251,200	2,251,200
Western Interstate Commission Office	99,000	103,000	103,000
WICHE Student Subsidies	2,912,100	2,908,100	2,770,800
Arizona Transfer Articulation Support System	217,100	213,700	213,700
Corporation Commission			
Operating Lump Sum Appropriation	5,273,200	5,007,300	4,831,743
Railroad Warning Systems FY00 - 01	192,000	192,000	0
Railroad Warning Systems FY99 - 00	119,186	18,815	18,815
Administrative Adjustments	0	3,812	3,812
Operating Lump Sum Appropriation	43,500	43,500	43,461
Community College Board			
Operating Lump Sum Appropriation	239,500	225,800	159,342
Administrative Adjustments	0	5,938	5,938
Court of Appeals Division I			
Division I - Operating Lump Sum Appropriation	7,227,300	7,075,500	7,073,256
Charter Schools Board			
Operating Lump Sum Appropriation	556,200	498,100	432,951
Administrative Adjustments	0	12,791	12,791
Court of Appeals Division II			
Division II - Operating Lump Sum Appropriation	3,373,800	3,296,300	3,286,640
Department of Corrections			
ASPC-D - Mohave Improve Control Room FY97 - 98	2,103	2,103	0
ASPC-D - Mohave Door and Lock Replace FY98 - 99	29,598	1,844	1,844
ASPC-D - Papago Housing Renovation FY98 - 99	679	0	0
Operating Lump Sum Appropriation	579,765,400	579,765,400	574,475,218
Administrative Adjustments	0	7,290,542	7,290,542
General Fund Transfer 1st Special Session Chapter 1	0	500,000	500,000

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation	2,113,500	2,113,500	1,708,679
Administrative Adjustments	0	667	667
Department of Economic Security			
Statewide Building Renewal FY98 - 99	0	(23,346)	(23,346)
Statewide Building Renewal FY96 - 97	1,770	0	0
Statewide Building Renewal FY95 -96	211	211	0
Statewide Building Renewal FY92 - 93	20	20	0
Coolidge Environmental Impact Study	4,948	4,948	0
DACS Navajo Senior Centers - Birdsprings	65,000	65,000	0
DACS Navajo Senior Centers - Chilchenbento	45,000	45,000	0
DACS Navajo Senior Centers - Chinle	10,000	10,000	0
DACS Navajo Senior Centers - Dilcon	30,000	30,000	0
DACS Navajo Senior Centers - Fort Defiance	65,000	65,000	0
DACS Navajo Senior Centers - St Michael's	1,961	1,961	0
DACS Navajo Senior Centers - White Cone	30,000	30,000	0
ADM Operating Lump Sum Appropriation	28,881,200	28,397,900	26,809,040
ADM Finger Imaging	575,700	489,300	489,300
ADM Lease Purchase Equipment	1,747,100	1,602,700	1,602,700
ADM Attorney General Legal Services	355,200	395,600	395,600
DDD Operating Lump Sum Appropriation FY02 - 03	4,866,500	4,232,500	4,232,500
DDD Case Management FY02 - 03	3,224,300	4,174,300	3,224,300
DDD Home and Community Based Services	27,555,400	24,789,000	24,722,333
DDD Institutional Services	294,900	294,900	136,379
DDD Arizona Training Program at Coolidge FY02 - 03	5,809,100	4,349,300	4,309,258
State Funded LTC Services	2,204,300	1,952,600	1,947,000
LTC Operating Lump Sum Appropriation	6,072,400	5,943,000	5,943,000
LTC Case Management	7,468,100	7,468,100	7,468,100
LTC Home and Community Based Services	102,320,700	105,383,100	105,383,100
LTC Institutional Services	4,017,500	4,017,500	4,017,500
LTC Medical Services	19,280,300	19,280,300	19,280,300
LTC Arizona Training Program at Coolidge	3,937,700	3,704,500	3,704,500
DBME Operating Lump Sum Appropriation	24,401,800	21,794,500	21,613,310
DBME TANF Cash Benefits	51,410,700	51,410,700	51,387,846
DBME General Assistance	2,130,400	3,953,600	3,935,788
DBME Institutional Support Payments	266,400	197,900	175,667
DBME Tuberculosis Control	32,200	20,700	20,013
DBME Outreach and Naturalization	85,000	0	0
DBME Tribal Pass-Through Funding	4,212,800	4,212,800	4,212,800
DCSE Operating Lump Sum Appropriation	5,063,900	2,560,400	2,560,400
DCSE Genetic Testing	72,400	35,000	35,000
DCSE Central Payment Processing	444,700	444,700	444,700
DCSE Attorney General Legal Services	59,300	325,200	325,200
DACS Operating Lump Sum Appropriation	5,445,100	4,130,100	4,130,100
DACS Coordinated Hunger Program	1,286,600	1,286,600	1,252,933
DACS Information and Referral	115,400	0	0
DACS Coordinated Homeless Program	1,155,400	1,155,400	1,138,069
DACS Adult Services	11,545,300	11,262,900	10,625,686
DACS Domestic Violence Prevention FY02 - 03	2,507,900	2,507,900	2,425,987
DACS Long Term Care Ombudsman	359,500	220,100	205,609
DACS Domestic Violence Shelter Program FY01 - 02	9,419	9,419	9,419
DACS Domestic Violence Shelter Program FY00 - 01	73,791	(11,863)	(12,458)
DACS Domestic Violence Legal Assistance	24,504	24,504	24,504
DCYF Operating Lump Sum Appropriation	27,790,200	26,411,200	26,411,200
DCYF Children Services FY02 - 03	19,375,200	20,120,900	19,885,127
DCYF Intensive Family Services	1,985,600	1,985,600	1,985,600

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCYF Adoption Services	21,434,800	13,897,900	13,895,918
DCYF Family Builders Pilot	30,842	0	0
DCYF Comprehensive Medical and Dental Program	2,207,000	2,057,000	2,057,000
DCYF Attorney General Legal Services	4,404,000	4,049,300	4,049,300
DCYF CPS Appeals	618,800	618,800	618,800
DCYF CPS Substance Abuse Treatment	224,500	224,500	224,500
DCYF Permanent Guardianship Subsidy	124,000	124,000	124,000
DCYF IV-E Cost Allocation Contingency	8,224,200	0	0
DERS Operating Lump Sum Appropriation	4,804,500	4,584,400	4,584,400
DERS Job Search Stipends	30,000	30,000	30,000
DERS Vocational Rehabilitation Services	3,285,100	3,285,100	3,285,100
DERS Independent Living Rehabilitation Services	902,300	902,300	699,189
DERS Employment Support Services	6,093,600	2,802,200	2,030,822
DERS Project Intervention	22,828	0	0
DERS Summer Youth Employment and Training	1,000,000	1,000,000	1,000,000
DERS Daycare Subsidy	17,481,900	19,287,900	19,287,900
DERS JOBS	1,885,100	1,793,500	1,793,500
Relief Bill for AY99 Appropriation 07808	0	19	19
Relief Bill for AY99 Appropriation 08008	0	128,671	128,671
Relief Bill for AY99 Appropriation 08167	0	64	64
Relief Bill for AY99 Appropriation 08197	0	124	124
Relief Bill for AY99 Appropriation 08342	0	1,287	1,287
Administrative Adjustments	0	3,791,997	3,791,997
DACS Hopi Senior Center - Kykotsmovi	22,097	22,097	0
DACS Tribal Senior Centers - Hopi	259,190	259,190	0
DACS Tribal Senior Centers - Navajo	714,300	714,300	0
DACS Navajo Senior Center Services	50,000	50,000	0
DERS Accreditation Rates FY00 - 01	154,680	154,680	0
DERS JTPA Welfare to Work Block Grant	1,637,492	1,637,492	1,553,160
ADM Workforce Investment Act Operating Lump Sum	0	450,000	0
DERS Workforce Investment Act Operating Lump Sum	1,906,900	2,254,900	0
DERS Workforce Investment Act Programs	44,070,600	44,070,600	43,043,392
DERS JOBS	2,000,000	1,202,000	0
ADM Operating Lump Sum Appropriation	5,301,700	5,302,400	5,301,700
ADM Operating Lump Sum Appropriation	1,043,600	1,561,900	1,010,087
ADM Public Assistance Collections	175,800	175,800	167,067
ADM Finger Imaging	289,500	89,500	72,279
ADM Attorney General Legal Services	139,500	139,500	124,167
ADM Attorney General Legal Services	14,500	14,500	10,831
ADM High Performance Bonus	1,125,658	100,658	67,323
ADM Perinatal Substance Abuse Treatment	142,857	142,857	142,857
ADM Teen Pregnancy Prevention	16,997	16,997	0
ADM Lease Purchase Equipment	645,000	495,000	425,309
DBME Operating Lump Sum Appropriation	10,457,900	10,457,900	9,936,161
DBME TANF Cash Benefits	103,605,900	103,605,900	102,888,296
DBME TANF FLSA Supplemental	1,008,900	508,900	419,031
DBME TANF Arizona Works Incentive	434,300	434,300	434,300
DBME Food Stamp Outreach and Education FY00 - 01	943	943	0
DBME Hopi TANF Start-Up	398,000	398,000	390,279
DACS TANF Operating Lump Sum Appropriation	245,600	245,600	162,106
DACS Community and Emergency Services	5,996,000	5,924,900	4,805,952
DACS Coordinated Homeless Program	1,583,200	1,649,500	1,513,471
DACS Coordinated Hunger Program	500,000	0	0
DACS Domestic Violence Prevention	5,115,900	5,120,700	4,220,243
DACS Emergency Domestic Violence Shelter Services	35,211	35,211	35,210

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DACS Marriage and Communication Skills	857,884	857,884	325,349
DACS Marriage Handbook	41,598	41,598	18,722
DACS Marriage Skills Training	74,850	74,850	20,100
DACS Short Term Crisis Services TANF FY00 - 01	48,153	48,153	336
DACS Short Term Crisis Services TANF FY99 - 00	2	2	0
DCYF Operating Lump Sum Appropriation	14,808,800	20,508,100	18,700,686
DCYF Children Services	10,174,300	10,674,300	8,825,964
DCYF Attorney General Legal Services	47,600	47,600	1,962
DCYF TANF to SSBG	36,398,200	36,398,200	34,120,736
DCYF Family Builders	6,200,000	5,700,000	5,026,305
DCYF Homeless Youth Intervention FY02 - 03	400,000	400,000	328,150
DCYF Homeless Youth Intervention FY00 - 01	20,900	20,900	(9,639)
DCYF Permanent Guardianship Subsidy FY02 - 03	859,300	2,459,300	837,982
DCYF Permanent Guardianship Subsidy FY00 - 01	6,742	6,742	6,742
DCYF Substance Abuse Treatment FY02 - 03	333,300	333,300	275,105
DCYF Substance Abuse Treatment FY00 - 01	5,542,746	5,542,746	5,542,746
DCYF Adoption Services	5,186,100	9,859,300	9,859,300
DERS Operating Lump Sum Appropriation	6,349,400	6,049,400	5,534,172
DERS Operating Lump Sum Appropriation	7,524,200	7,005,900	6,915,596
DERS TANF Day Care Subsidy	12,471,300	15,110,283	11,946,786
DERS TANF Transitional Child Care	26,419,500	26,419,500	24,277,362
DERS JOBS	20,316,600	16,016,600	14,902,900
DERS Work Related Transportation	3,302,200	2,402,200	1,761,561
DERS Wheels to Work Program FY98 - 99	1,120	0	0
DERS Employment Retention and Job Skills FY98 - 99	731,909	322,144	322,144
DERS Young Father Mentoring FY98 - 99	361,056	361,056	262,417
DERS TANF Accreditation Rates FY00 - 01	154,680	154,680	154,680
DERS Character Training	26,526	2,869	2,868
DERS Parenting Training FY00 - 01	10,327	10,327	84
DERS Parenting Training FY99 - 00	41,206	28,049	28,049
DERS Post Shelter Training FY00 - 01	912	912	207
DERS Post Shelter Training FY99 - 00	216,399	68,144	68,144
DERS JOBS Work Participation TANF	9,112	0	0
DERS JOBS Transportation Projects FY98 - 99	36,117	0	0
DERS Child Care Sliding Fee Scales	3,159,554	3,159,554	1,062,796
DERS Vocational Education Grants	396,449	449	0
DERS Out of School Program	4,000,000	4,000,000	0
Administrative Adjustments	0	26,113,851	26,113,851
DERS Transitional Child Care	2,044,300	2,044,300	2,044,300
DERS Day Care Subsidy	84,267,500	92,267,500	92,031,549
ADM Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	0
Administrative Adjustments	0	2,000,000	2,000,000
LTC Operating Lump Sum Appropriation	18,320,200	18,320,200	0
LTC Case Management	22,511,300	19,711,300	0
LTC Home and Community Based Services	305,557,100	313,548,000	0
LTC Institutional Services	12,156,700	13,556,700	0
LTC Medical Services	60,361,500	62,961,500	0
LTC Arizona Training Program at Coolidge	11,814,800	11,814,800	0
DDD State Funded Long Term Care Services	18,030,500	18,030,500	17,459,050
Administrative Adjustments	0	1,220,303	1,220,303
Statewide Building Renewal FY02 - 03	0	110,000	110,000
Building Renewal FY98 - 99	0	(13,805)	(13,805)
DCSE Operating Lump Sum Appropriation FY02 - 03	32,913,400	36,546,500	24,565,457
DCSE Genetic Testing	723,600	387,400	158,098
DCSE Central Payment Processing	3,275,700	2,475,700	1,840,987

The Notes to Required Supplementary Information are an integral part of this schedule.

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCSE County Participation	10,598,900	7,131,400	4,947,714
DCSE Attorney General Legal Services	5,491,800	6,462,400	5,127,406
Relief Bill for AY99 Appropriation 08235	1,891,781	1,891,781	1,891,781
Relief Bill for AY99 Appropriation 08103	183,055	183,055	183,055
Administrative Adjustments	0	6,397,384	6,397,384
Department of Juvenile Corrections			
Renovation Construction FY94 - 95	97	0	0
Building Renewal FY94 - 95	3,794	3,794	0
BCS Electrical Repair	1,200	1,200	1,200
Operating Lump Sum Appropriation FY02 - 03	63,943,500	63,743,700	63,219,333
Administrative Adjustments	0	1,375,856	1,375,856
Operating Lump Sum Appropriation	3,892,100	3,892,100	3,668,628
Building Renewal FY91 - 92	39	39	0
Adobe Mountain Kitchen Building Renewal	18,000	18,000	17,919
Adobe Mountain Freedom and Encanto Buildings	0	16,000	16,000
Adobe Mountain Emergency Power Feeders	0	10,535	10,535
Department of Transportation			
Operating Lump Sum Appropriation	63,500	63,500	62,451
Department of Education			
Operating Lump Sum Appropriation	270,300	270,300	213,948
Operating Lump Sum Appropriation	6,652,824	7,094,016	6,875,413
Achievement Testing	3,396,500	3,396,500	3,396,500
Charter Schools Administration	346,757	346,757	334,935
Special Education Audit	291,900	291,900	105,341
School Accountability Fund - Proposition 301 FY02 - 03	33,900	33,900	33,900
Teacher Certification	1,061,900	1,061,900	985,684
Basic State Aid Entitlement	2,258,877,391	2,257,787,123	2,256,162,020
Additional State Aid to Schools	249,844,500	254,066,510	254,066,510
Assistance to School Districts for Children of State Employees	35,200	60,000	58,034
Certificates of Educational Convenience	859,700	859,700	0
Special Education Fund	26,351,600	27,600,901	27,600,901
Accountability Measures	50	50	0
Adult Education Assistance	4,438,228	4,438,228	4,409,733
Arizona Teacher Evaluation Program	383,480	191,740	89,028
Career Ladder Administration	81,435	0	0
Certification Investigations	451,400	225,700	225,700
Chemical Abuse	796,338	796,338	755,488
Extended School Year	500,000	500,000	500,000
Family Literacy Program FY02 - 03	1,002,100	1,002,100	1,002,100
Family Literacy Program FY98 - 99	1,373	1,373	0
Gifted Support	1,301,600	1,301,600	1,262,521
Optional Performance Incentive Programs	120,000	120,000	120,000
Residential Placement	10,000	10,000	10,000
School Report Cards	443,698	443,698	406,802
School Safety Program FY02 - 03	6,703,105	6,703,105	6,601,982
School Safety Program FY01 - 02	44,048	44,048	(193,306)
School Safety Program FY00 - 01	5,842	5,842	5,842
School Safety Program FY98 - 99	34,178	34,178	34,178
Small Pass-Through Programs	581,600	581,600	581,521
State Block Grant for Early Childhood Education	19,408,575	19,408,575	19,379,937
State Block Grant for Vocational Education	11,160,300	11,160,300	11,160,301
Vocational Education Extended Year	600,000	400,000	400,000
AIMS Intervention and Dropout Prevention Program	550,000	550,000	529,462
English Learner FY02 - 03	0	316,095	79,841
English Learner FY01 - 02	130,847	0	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
English Learner Instruction FY02 - 03	0	5,500,000	761,276
English Learner Instruction FY01 - 02	3,080,000	3,080,000	3,080,000
English Learner Materials and Supplies	0	1,500,000	1,239,121
English Learner Pilot	0	750,000	749,899
English Learner Teacher	0	4,500,000	0
English Learner Classroom Bonus Fund	0	3,060,000	260,942
Parental Choice For Reading Success	1,000,000	1,000,000	433,811
General Fund Transfer 1st Special Session Chapter 1	0	80,300	80,300
General Fund Transfer 1st Special Session Chapter 1	0	18,300	18,300
General Fund Transfer 1st Special Session Chapter 1	0	500,000	500,000
Department of Commerce			
Operating Lump Sum Appropriation	3,689,300	3,240,400	3,022,760
Motion Picture Development	308,200	308,200	298,715
Apprenticeship Services Office	153,000	153,000	146,307
High Technology Clusters	36	36	0
NAFTA Agreement Projects	37,777	37,777	0
NAFTA Projects - Initial Phase	19,874	19,874	0
Agriculture Preservation District	467,885	467,885	435,371
APNE FY02 - 03	207,500	207,500	175,750
APNE FY01 - 02	718,650	718,650	387,498
General Fund Transfer 1st Special Session Chapter 1	0	5,000,000	5,000,000
Operating Lump Sum Appropriation	117,500	117,500	100,053
Administrative Adjustments	0	24	24
Board of Tax Equalization			
Operating Lump Sum Appropriation	608,100	543,400	543,271
Department of Environmental Quality			
Operating Lump Sum Appropriation	11,936,500	9,474,700	9,467,874
Aquifer Protection Permit Program	814,000	745,600	744,841
Banking/Trading Study	25,000	0	0
Catalytic Converter Replacement Program	15,889	0	0
Environmental Health Reserve FY96 - 97	100,000	0	0
Environmental Health Reserve FY95 - 96	250,000	0	0
Environmental Health Reserve FY94 - 95	101,958	0	0
Reappropriation (Laws 2003 Chpt 2 HB2002)	0	492,739	492,739
Solid Waste Program	126,800	51,800	51,800
Water Infrastructure Finance Authority	2,995,100	2,445,100	1,971,325
Administrative Adjustments	0	299,893	299,893
General Fund Transfer 1st Special Session Chapter 1	0	10,300,000	10,300,000
Lump Sum Appropriation	10,218,900	11,718,900	2,481,844
Administrative Adjustments	0	248,476	248,476
Geological Survey			
Operating Lump Sum Appropriation	870,800	774,900	770,779
Administrative Adjustments	0	2,927	2,927
Government Information Technology Agency			
Year 2000 - Agency Projects	0	0	50,662
Operating Lump Sum Appropriation	0	2,502,300	2,247,742
Administrative Adjustments	0	76,685	76,685
Governor's Office			
Operating Lump Sum Appropriation FY02 - 03	5,987,800	5,389,000	5,097,757
Operating Lump Sum Appropriation FY01 - 02	295,208	295,208	(207,987)
Operating Lump Sum Appropriation FY00 - 01	342,670	342,670	341,610
Operating Lump Sum Appropriation FY99 - 00	227,625	227,625	128,127
Operating Lump Sum Appropriation FY96 - 97	1	1	0
Arizona - Sonora Study Implementation FY00 - 01	5,200	5,200	0
Border Volunteer Corps FY95 - 96	71,545	71,545	6,172

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Border Volunteer Corps FY94 - 95	34,705	34,705	0
Governor's Telecommunication	504	504	0
Office of Sonora	7,783	7,783	0
Governor's Office for Excellence in Government	1,508,100	1,350,400	1,348,938
Governor's Office of Strategic Planning and Budgeting	1,850,000	1,664,000	1,638,497
Administrative Adjustments	0	239,568	239,568
Office for Excellence in Government	25,000	25,000	0
Arizona Health Care Cost Containment System			
Mental Health - Adults	42,763	0	0
Operating Lump Sum Appropriation	28,497,000	25,734,300	24,995,754
DOA Data Center Charges	1,724,700	1,724,700	1,724,555
Indian Advisory Council	113,100	101,800	95,206
DES Eligibility	23,587,100	17,898,400	17,898,374
DES Title XIX Pass Through	133,000	80,500	62,820
DHS Title XIX Pass Through	960,200	960,200	524,034
Breast and Cervical Cancer Treatment	52,730	0	0
Capitation	302,462,600	270,831,800	270,831,800
Fee for Service	60,332,000	58,130,100	50,631,002
Reinsurance	22,086,100	18,483,900	12,323,721
Medicare Premiums	9,712,100	11,208,200	11,172,741
Disproportionate Share Payments	59,757,200	53,911,600	53,911,601
Graduate Medical Education	6,490,400	6,490,400	6,490,395
Apache County Claims for Tribal Members	203,021	(106)	(106)
Navajo County Claims for Tribal Members	16,443	35,206	35,206
Budget Neutrality Compliance Deposit	724,800	724,800	724,800
Breast and Cervical Cancer Treatment Program FY02 - 03	1,300,000	900,000	755,306
Breast and Cervical Cancer Treatment Program FY01 - 02	1,243,593	32,523	32,450
County Net Loss Offset	0	4,825,600	4,825,600
Critical Access Hospitals	591,900	310,900	310,852
Freedom to Work Program Expense General	500,000	155,000	120,222
State Emergency Services SB1060	1,100,000	1,100,000	1,100,000
Operating Lump Sum Appropriation	52,542,200	52,542,200	52,542,200
Administration	15,233,000	20,965,600	16,950,704
Services	96,352,700	67,340,600	64,778,005
Administrative Adjustments	0	22,689,182	22,689,182
Operating Lump Sum Appropriation	38,926,200	38,926,200	32,712,078
DOA Data Center Charges	3,992,800	3,992,800	3,992,800
Indian Advisory Council	109,300	109,300	90,237
DES Eligibility	23,337,200	18,204,000	17,376,574
DES Title XIX Pass Through	177,300	177,300	72,712
DHS Title XIX Pass Through	766,200	766,200	521,138
Office of Administrative Hearings	190,200	290,200	252,012
Capitation	924,950,900	930,329,800	923,629,254
Fee for Service	237,705,700	276,253,500	251,551,964
Reinsurance	46,709,800	59,197,100	44,265,742
Medicare Premiums	26,984,600	26,984,600	26,616,230
Disproportionate Share Payments	119,893,900	105,893,900	103,136,775
Graduate Medical Education	16,037,700	13,327,700	13,327,605
Mental Health - Adults FY91 - 92	45,368	45,368	0
Breast and Cervical Cancer Treatment Fed Administration	52,730	52,730	0
Breast and Cervical Cancer Treatment Fed Program	745,861	745,861	0
Breast and Cervical Cancer Treatment State Program	975,000	975,000	261,964
Critical Access Hospitals	1,108,100	1,108,100	638,315
Dialysis Chemotherapy Treatment Expense	1,555,608	1,555,608	1,422,822
Freedom to Work Program Expense General	846,400	846,400	253,202

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Administration	15,233,000	27,095,800	21,164,073
Services	502,711,200	539,837,100	501,894,193
Administrative Adjustments	0	31,789,991	31,789,991
Program Lump Sum Appropriation	682,188,900	682,188,900	663,259,376
Board of Nursing	209,700	209,700	209,700
Administrative Adjustments	0	48,955	48,955
General Fund Transfer 1st Special Session Chapter 1	0	400,000	400,000
Proposition 204 Services	58,847,000	58,847,000	58,847,000
Office of Administrative Hearings			
Operating Lump Sum Appropriation	1,190,300	1,069,600	1,069,600
Operating Lump Sum Appropriation	13,900	13,900	13,800
Administrative Adjustments	0	1,546	1,546
Historical Society			
ADA Survey FY94 - 95	5,000	0	0
Operating Lump Sum Appropriation	2,238,400	2,018,691	2,018,691
Historical Society Grants	80,000	80,000	80,000
Papago Park Museum	2,201,100	2,093,609	2,093,609
House of Representatives	0		
Operating Lump Sum Appropriation FY02 - 03	13,055,800	11,149,300	10,305,454
Operating Lump Sum Appropriation FY01 - 02	429,734	429,734	2,912
Operating Lump Sum Appropriation FY00 - 01	856,239	856,239	485
Operating Lump Sum Appropriation FY99 - 00	360,375	360,375	0
Operating Lump Sum Appropriation FY98 - 99	120,282	120,282	0
Operating Lump Sum Appropriation FY97 - 98	33,238	33,238	0
Operating Lump Sum Appropriation FY96 - 97	183	0	0
Department of Health Services			
ADA Compliance	986	0	0
Building Renewal FY96 - 97	30	30	0
Cholla - Sexual Predator	11,655	11,655	0
ASH - JACHO Accreditation Phase II	77	0	0
ASH - Granada Hall Windows	325	0	0
ASH - Condensate Receiver	4,700	4,700	0
ASH - Juniper/Wickenburg Windows	8,794	0	0
ASH - Juniper/Wickenburg Fire Life Safety Improvements	517	0	0
Provider Loan Repayment Program	10,747	0	0
Obstetrics Malpractice Premium	2,900	0	0
Environmental Assessment Phoenix	2,369	0	0
90/91 Environmental Assessment Phoenix	8,849	8,849	0
Operating Lump Sum Appropriation	11,163,400	11,771,400	11,598,977
Assurance and Licensure	6,579,500	6,547,900	6,089,835
Operating Lump Sum Appropriation	5,630,400	5,953,800	5,725,217
Tuberculosis Provider Care and Control	1,082,000	1,082,000	818,313
Vaccines	2,821,900	2,504,700	2,127,345
Sexually Transmitted Disease Control	52,500	26,300	26,203
AIDS Reporting and Treatment	125,000	125,000	113,330
Laboratory Services	3,140,100	2,963,900	2,857,373
Kidney Program	101,000	50,500	50,500
Direct Grants	460,300	460,300	460,300
Reimbursement to Counties	135,900	67,900	67,900
Loan Repayment Services	100,000	100,000	83,962
Alzheimer's Disease Research	910,000	0	0
Vital Records	94,461	94,461	(37,090)
Operating Lump Sum Appropriation	3,168,500	3,455,500	3,376,336
Children's Rehabilitative Services	3,587,000	3,587,000	3,587,000
AHCCCS - Children's Rehabilitative Services	11,310,800	11,310,800	11,310,800

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Adult Cystic Fibrosis	210,400	105,200	105,199
Adult Sickle Cell Anemia	65,900	33,000	33,000
High Risk Perinatal Services	3,180,600	2,862,500	2,350,591
Nutrition Services	367,000	330,300	218,522
County Prenatal Services Grant	1,208,500	1,148,500	1,147,904
Health Start Program FY00 - 01	51,976	51,976	51,972
Health Start Program FY99 - 00	14,058	14,058	14,058
Operating Lump Sum Appropriation	7,094,200	4,096,000	3,958,220
Children's Behavioral Health Services	9,351,800	9,351,800	9,286,069
Children's Behavioral Health State Match for Title XIX	40,344,600	43,003,000	43,003,000
Seriously Emotionally Handicapped Children	138,400	500,000	330,940
Seriously Mentally Ill State Match for Title XIX	34,041,500	37,903,100	37,903,100
Seriously Mentally Ill Non-Title XIX	51,326,700	51,326,700	51,234,176
Court Monitoring	197,500	177,800	177,800
Psychiatric Review Board	86,400	86,400	78,332
Arnold v. Sarn	19,500,000	19,500,000	19,500,000
Mental Health Non-Title XIX	947,300	947,300	947,299
Substance Abuse Non-Title XIX	12,135,400	12,135,400	12,135,398
Mental Health and Substance Abuse State Match	12,532,300	14,531,900	14,531,900
Suicide Prevention Program FY02 - 03	120,000	0	0
Suicide Prevention Program FY01 - 02	140,000	140,000	0
Proposition 204 State Match	0	2,648,400	2,648,400
Operating Lump Sum Appropriation	36,179,200	36,036,600	35,730,566
Sexually Violent Persons FY02 - 03	9,809,900	9,709,900	9,321,434
Male Restoration to Competency Program	65,549	65,150	47,200
Self - Care Unit	110,187	102,263	102,263
Community Placement Treatment	5,574,100	5,574,100	5,574,100
Administrative Adjustments	0	4,378,343	4,378,343
TANF Perinatal Services FY99 - 00	47,257	47,257	548
Operating Lump Sum	5,475,000	5,475,000	5,475,000
Community Placement Treatment	1,130,700	1,130,700	1,130,699
Building Renewal - Tucson FY02 - 03	78,900	78,900	0
Building Renewal - Tucson FY01 - 02	75,256	75,256	282
Building Renewal - Tucson FY00 - 01	6,110	6,110	0
Building Renewal - Tucson FY99 - 00	42,762	42,762	5,594
Building Renewal - Tucson FY98 - 99	2,221	2,221	0
General Fund Transfer 1st Special Session Chapter 1	0	792,400	768,146
Arizona State Hospital Accreditation	3,140	3,140	0
General Fund Transfer 1st Special Session Chapter 1	0	98,800	98,800
Building Renewal FY91 - 92	3,548	3,548	0
ASH - Juniper/Wickenburg Windows	29,950	29,950	0
ASH - Repair Cooling Towers #1-2	27,000	3,949	2,350
General Fund Transfer 1st Special Session Chapter 1	0	500,000	500,000
Children's Behavioral Health Services - Tobacco Settlement Account	11,457,912	11,457,912	5,729,184
Indirect Cost Fund FY02 - 03	6,590,800	6,590,800	4,585,309
General Fund Transfer 1st Special Session Chapter 1	0	821,900	821,900
Relief Bill	341	341	341
Administrative Adjustments	0	510,583	510,583
Assurance and Licensure	401,300	401,300	366,354
General Fund Transfer 1st Special Session Chapter 1	0	2,025,400	2,025,400
Administrative Adjustments	0	44,706	44,706
General Fund Transfer 1st Special Session Chapter 1	0	200,000	200,000

The Notes to Required Supplementary Information are an integral part of this schedule.

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Commission on the Arts			
Operating Lump Sum Appropriation	530,600	530,600	530,600
Community Service Projects FY02 - 03	1,775,000	1,542,700	1,542,700
General Fund Transfer 1st Special Session Chapter 1	0	1,000,000	1,000,000
Indian Affairs Commission			
Operating Lump Sum Appropriation	224,600	200,300	200,135
Indian Town Hall FY96 - 97	100	0	0
Administrative Adjustments	0	974	974
Occupational Safety and Health Review Board			
Operating Lump Sum Appropriation FY02 - 03	4,800	4,800	0
Operating Lump Sum Appropriation FY01 - 02	6,947	6,947	0
Operating Lump Sum Appropriation FY00 - 01	1,000	1,000	0
Operating Lump Sum Appropriation FY99 - 00	1,000	1,000	0
Operating Lump Sum Appropriation FY98 - 99	9,000	9,000	637
Operating Lump Sum Appropriation FY97 - 98	99	99	99
Personal Services FY91 - 92	53	53	0
Employee Related Expenditures FY01 - 02	75	75	0
Insurance Department			
Operating Lump Sum Appropriation	5,472,400	5,472,400	5,223,450
Managed Care Oversight FY02 - 03	622,000	622,000	495,954
Managed Care Oversight FY00 - 01	161,946	0	0
Managed Care: Health Care Appeals	9,592	0	0
Captive Insurer	49,905	49,905	49,905
Administrative Adjustments	0	1,685	1,685
Arizona Criminal Justice Commission			
Operating Lump Sum Appropriation	1,416,600	1,244,200	1,086,641
Obscenity Crimes Prosecution	21,959	0	0
Rural State Aid to County Attorneys	157,700	157,700	157,700
Rural State Aid to Indigent Defense	149,800	149,800	149,800
Administrative Adjustments	0	160,047	160,047
Joint Legislative Budget Committee			
Operating Lump Sum Appropriation FY02 - 03	2,464,100	1,956,100	723,953
Operating Lump Sum Appropriation FY01 - 02	1,151,652	1,151,652	1,151,652
Department of Library, Archives and Public Records			
Operating Lump Sum Appropriation FY02 - 03	7,468,200	6,057,300	6,054,297
Operating Lump Sum Appropriation FY01 - 02	83,476	83,476	83,476
Operating Lump Sum Appropriation FY00 - 01	105,604	105,604	105,604
Grants-In-Aid FY02 - 03	651,400	651,400	572,000
Grants-In-Aid FY01 - 02	128,657	128,657	31,000
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000
Museum Furnishings FY90 - 91	2,372	2,372	2,372
Operating Lump Sum Appropriation FY02 - 03	310,300	310,300	310,300
Operating Lump Sum Appropriation FY01 - 02	98,404	98,404	9,258
Operating Lump Sum Appropriation FY00 - 01	189,093	189,093	0
Operating Lump Sum Appropriation FY99 - 00	416,320	416,320	0
Legislative Council			
School Maintenance and Operations	0	250,000	35,779
Operating Lump Sum Appropriation FY02 - 03	4,837,100	3,841,700	3,707,061
Operating Lump Sum Appropriation FY01 - 02	144,896	144,896	144,896
Operating Lump Sum Appropriation FY00 - 01	463,715	463,715	220,688
Operating Lump Sum Appropriation FY99 - 00	890,320	890,320	0
Juvenile Study	19,520	19,520	0
Ombudsman FY94 - 95	95,169	95,169	0
Ombudsman FY93 - 94	43,000	43,000	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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Ombudsman Citizens Aid Office FY02 - 03	356,000	356,000	321,901
Ombudsman Citizens Aid Office FY01 - 02	29,538	29,538	29,538
Land Department			
Operating Lump Sum Appropriation	14,090,400	13,698,200	13,651,084
Environmental Programs to Counties FY02 - 03	125,000	0	0
Environmental Programs to Counties FY01 - 02	125,000	125,000	125,000
Fire Suppression	1,000,000	0	0
Administrative Adjustments	0	55,895	55,895
Liquor Licensing Department			
Operating Lump Sum Appropriation	2,480,200	2,207,900	2,197,542
Administrative Adjustments	0	19,947	19,947
Law Enforcement Merit System Council			
Operating Lump Sum Appropriation	56,600	56,400	55,861
Department of Emergency and Military Affairs			
Marana Tactical Equipment Park FY90 - 91	18,753	0	0
STARC Armory Addition FY91 - 92	16	0	0
Safford Armory Building Renewal FY94 - 95	10,978	0	0
Mesa Armory Re-roofing	1,325	1,325	0
Flagstaff Furnace Replacement	1,151	0	0
Silverlake Armory Fire Alarm Installation	983	983	983
Project Challenge Construction FY01 - 02	180,034	180,034	(27,622)
Project Challenge Construction FY00 - 01	6,526	6,526	0
Fire Alarm Systems - 8 Armories	13,319	13,319	13,319
Operating Lump Sum Appropriation	799,700	799,700	799,699
Civil Air Patrol	55,700	55,700	55,700
Nuclear Emergency Management Fund	0	287,698	287,698
Nuclear Emergency Management Fund Maricopa	0	201,313	201,313
977-DR Buy-Out of Flooded Residences	5	0	0
Tropical Winter Storm	534,163	6,741	6,741
EUZHAZ - Hazard Material Contingency FY01 - 02	24,672	24,672	9,401
EUZHAZ - Hazard Material Contingency FY99 - 00	17,235	17,235	17,235
Cochise County Monsoon FY01 - 02	376,459	257,251	257,251
Cochise County Monsoon FY00 - 01	14,060	14,060	14,060
EUZ701 Search and Rescue	0	200,000	189,667
Aspen Fire Emergency	0	75,000	11,852
Forest Heath Emergency-Pine Bark Beetle	0	1,978,851	1,023
Navajo, Gila & Coconino Cts Rodeo Fire	0	1,703,305	1,305,990
Potable Water Emergency	0	42,845	42,845
EUZ701 Search and Rescue	5,979	5,979	5,979
September Terrorism Incident Emergency	434,840	434,840	293,234
Navajo, Gila & Coconino Cts Rodeo Fire	72,060	72,060	70,848
Yavapai Indian Fire Emergency	175,743	126,625	126,625
La Paz/Maricopa Counties Storm Emergency	127,440	127,440	(45,674)
EUZ701 Search and Rescue	7	7	7
La Paz/Maricopa Counties Storm Emergency	175,784	175,784	42,391
Santa Cruz County Monsoon FY00 - 01	105,772	15,974	15,974
Operating Lump Sum Appropriation	2,763,900	2,763,900	2,703,919
Operating Lump Sum Appropriation - DEMA	1,315,100	1,315,100	1,310,210
Service Contracts FY02 - 03	852,300	852,300	847,416
Service Contracts FY01 - 02	120,746	120,746	120,746
Project Challenge Program FY02 - 03	1,350,000	1,350,000	1,345,927
Project Challenge Program FY98 - 99	1,509	0	0
Project Challenge Program FY97 - 98	4,130	0	0
Administrative Adjustments	0	207,116	207,116
STARC HVAC Replacement	1,391	0	0

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Nogales and 52nd Street Building Renewal	50,000	50,000	37,967
Roosevelt Building Renewal	58,196	74,550	67,192
Safford and Sunnyslope Building Renewal	141	141	0
Prescott and Bellemont Armories	0	140,000	9,411
Off-Site Nuclear Emergency 89-90	1,708	1,708	0
Mine Inspector			
Operating Lump Sum Appropriation	1,164,500	1,033,600	1,027,325
Mined Land Reclamation	516	516	0
Administrative Adjustments	0	8,048	8,048
Department of Building and Fire Safety			
Operating Lump Sum Appropriation	3,533,900	3,128,800	3,046,128
Administrative Adjustments	0	31,674	31,674
Mines and Mineral Resources			
Operating Lump Sum Appropriation	719,600	647,600	638,966
Administrative Adjustments	0	420	420
Medical Student Loans Board			
Medical Student Loans	283,400	283,400	283,400
Medical Student Loans	13,200	13,200	13,200
Northern Arizona University			
Main Campus - Operating Lump Sum Appropriation	114,848,000	108,639,000	108,639,000
NAU - Yuma Campus	2,341,300	2,341,300	2,341,300
Temporary Assistance for Needy Families	433,456	433,456	216,761
Administrative Adjustments	0	20,536	20,536
Navigable Streams Adjudication Commission			
Operating Lump Sum Appropriation	176,600	157,700	155,515
Administrative Adjustments	0	20,492	20,492
Personnel Board			
Operating Lump Sum Appropriation	371,300	334,000	281,642
Administrative Adjustments	0	625	625
Commission for Postsecondary Education			
Leveraging Educational Assistance Partnership	1,220,800	1,220,800	1,220,800
Private Postsecondary Education Student Financial Assistance	325,100	170,500	170,500
General Fund Transfer 1st Special Session Chapter 1	0	1,300	1,300
Prescott Historical Society			
Operating Lump Sum Appropriation	744,300	669,900	669,900
Administrative Adjustments	0	9,150	9,150
Building Renewal - Sharlot Hall Re-roofing	0	8,000	0
Pioneer's Home			
Building Renewal FY94 - 95	3,538	0	0
Prescription Drugs	226,590	226,590	226,590
Food	58,710	58,710	58,710
Board of Executive Clemency			
Operating Lump Sum Appropriation	915,700	915,700	898,209
Administrative Adjustments	0	857	857
Parks Board			
Spur Cross Ranch Acquisition FY01 - 02	500	500	0
Spur Cross Ranch Acquisition FY00 - 01	74,500	74,500	0
Operating Lump Sum Appropriation	6,828,000	0	0
Growing Smarter - Land Conservation Fund	0	20,000,000	20,000,000
Administration	0	37,500	37,500
Administrative Adjustments	0	24,385	24,385
Building Renewal - Yuma Prison Museum Roof	30,000	30,000	30,000
Operating Lump Sum Appropriation	3,120,100	0	0
Parks Development and Operations	3,127,800	3,525,900	3,178,428
Kartchner Caverns State Park	2,101,300	2,101,300	1,641,411

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
State Parks Operating Hours	0	450,000	450,000
General Fund Transfer 1st Special Session Chapter 1	0	2,018,300	2,018,300
Acquisition and Development	1,046,598	1,046,598	732,447
Administrative Adjustments	0	45,693	45,693
Department of Public Safety			
Building Renewal - Project 91-1018	364	364	364
Building Renewal - Project 91-9220	0	4,369	4,369
Operating Lump Sum Appropriation	39,233,600	27,982,800	27,682,800
G.I.T.E.M.	5,248,700	4,244,100	4,212,606
Board of Fingerprinting	65,000	65,000	65,000
Sex Offender Web Site	73,044	43,127	43,127
Sex Offenders Notification Employees	6,288	0	0
Administrative Adjustments	0	491	491
Building Renewal - Project 91-2057	7,343	7,343	7,343
Building Renewal - Project 91-2058	0	0	0
Building Renewal - Project 91-2060	145	145	145
Building Renewal - Project 91-2061	5,598	0	0
Building Renewal - Project 91-2074	225	3,100	3,100
Building Renewal - Project 91-3010	0	19,637	17,656
Building Renewal - Project 91-3011	0	60,045	60,040
Building Renewal - Project 91-3012	0	23,268	23,268
Building Renewal - Project 91-3013	0	18,020	18,020
Board of Fingerprinting	66,300	66,300	35,887
Racing Department			
Operating Lump Sum Appropriation	2,686,200	2,404,100	2,366,546
Administrative Adjustments	0	25,933	25,933
Independent Redistricting Commission			
Operating Lump Sum Appropriation	2,414,683	2,414,683	1,857,342
Real Estate Department			
Operating Lump Sum Appropriation	3,105,000	3,105,000	3,061,431
Administrative Adjustments	0	1,723	1,723
Ranger's Pension			
Operating Lump Sum Appropriation	12,000	12,000	12,000
Retirement System			
James J. Burke V. ASRS, Attorney Fees and Costs FY01 - 02	3,480,819	3,480,819	0
Department of Revenue			
Operating Lump Sum Appropriation	58,710,500	56,904,100	55,981,517
Property Class Consolidation	5,220	(1,426)	(1,426)
Alternative Fuel	462,300	462,300	384,192
Administrative Adjustments	0	670,958	670,958
Operating Lump Sum Appropriation	1,511,600	1,511,600	1,349,555
Administrative Adjustments	0	20,594	20,594
Ladewig v. State of Arizona	15,497,000	15,497,000	15,497,000
Operating Lump Sum Appropriation	390,500	390,500	371,189
Ladewig v. State of Arizona - Administrative Costs	13,497,000	13,497,000	8,585,599
Schools for the Deaf and the Blind			
ADTEC Remodel FY91 - 92	357	0	0
Telecommunication Cabling FY91 - 92	1,624	0	0
Temporary Facilities FY91 - 92	282	0	0
Security Fencing	2,563	0	0
Building Renewal FY94 - 95	395	0	0
Master Plan FY95 - 96	5,000	0	0
Operating Lump Sum Appropriation	1,906,800	1,906,800	1,561,487
Operating Lump Sum Appropriation - Tucson	8,506,440	8,506,440	8,092,318

The Notes to Required Supplementary Information are an integral part of this schedule. (Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation - Administration	5,709,060	5,709,060	5,519,193
Administrative Adjustments	0	847,400	847,400
School Facilities Board			
Operating Lump Sum Appropriation	1,672,300	1,571,400	1,543,669
Administrative Adjustments	0	6,325	6,325
Deficiencies Correction Appropriation	15,000,000	15,000,000	0
General Fund Transfer 1st Special Session Chapter 1	0	123,000,000	123,000,000
Senate			
Operating Lump Sum Appropriation FY02 - 03	7,071,500	6,105,000	5,954,302
Operating Lump Sum Appropriation FY01 - 02	10,766	10,766	10,766
Operating Lump Sum Appropriation FY00 - 01	17,267	17,267	17,267
Operating Lump Sum Appropriation FY99 - 00	810,835	810,835	0
Operating Lump Sum Appropriation FY98 - 99	525,743	525,743	0
Operating Lump Sum Appropriation FY97 - 98	422,916	422,916	23,932
Operating Lump Sum Appropriation FY96 - 97	422,031	422,031	422,031
Operating Lump Sum Appropriation FY95 - 96	420,125	420,125	420,125
Operating Lump Sum Appropriation FY94 - 95	484,773	484,773	484,773
Operating Lump Sum Appropriation FY93 - 94	8,671	8,671	8,671
Supreme Court			
Commission on Judicial Conduct	346,000	346,000	345,167
Case Processing - County Reimbursement	330,000	246,000	237,654
Court Assistance	226,600	226,600	219,127
Judicial Performance Review	345,500	345,500	326,782
Elder Law Representation	795	0	0
State Aid to the Courts Fund	418,500	418,500	418,500
Administrative Supervision	7,721,100	7,615,600	7,398,588
Case Processing - State Aid	84,700	25,000	12,000
Justices and Support	3,506,600	3,388,700	2,952,804
Administrative Adjustments	0	570,501	570,501
Operating Lump Sum Appropriation	2,171,000	2,102,400	2,094,091
Model Court	514,300	465,100	465,100
Judges Compensation	12,647,600	12,647,600	12,633,820
Juvenile Treatment Services	23,307,800	23,307,800	23,301,414
Progressively Increasing Consequences	9,268,100	9,268,100	9,268,100
Juvenile Intensive Probation	13,233,100	12,641,100	12,494,186
Juvenile Probation State Aid	7,456,089	6,956,089	6,883,684
Adult Intensive Probation	20,194,900	18,764,666	18,538,884
Adult Probation Enhancement	24,345,611	23,651,045	23,564,223
Interstate Compact Adult Probation	1,346,600	1,318,000	1,315,357
Family Counseling	660,400	660,400	606,295
Community Punishment	3,448,200	1,725,300	1,708,528
Child Support Enforcement	980,100	662,600	636,647
4th Floor Chiller	8,124	8,124	0
HVAC Ductwork Replacement FY02 - 03	0	50,000	49,611
HVAC Ductwork Replacement FY01 - 02	16,553	24,053	3,808
HVAC Storage Tank	23,560	23,560	13,301
Replace Security Cameras - Courts Building	3,034	0	0
Case Processing - Automation	4,601,400	4,601,400	3,748,820
Regulatory Activities	615,400	615,400	380,014
General Fund Transfer 1st Special Session Chapter 1	0	400,000	400,000
Court Assistance	2,751,200	2,751,200	2,162,366
Case Processing - Automation	9,882,600	9,882,600	6,516,335

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Secretary of State			
Operating Lump Sum Appropriation	2,134,100	1,977,450	1,926,832
Elections	3,717,700	3,561,050	3,462,883
Administrative Adjustments	0	58,997	58,997
Technical Registration Board			
Greenfields Pilot Program Appropriation	37	0	0
Office of Tourism			
Transfer to Tourism Fund	10,018,400	9,001,100	9,001,100
Operating Lump Sum - Tourism Fund	1,946,400	1,809,500	1,809,307
International & Domestic Marketing	922,700	850,000	848,724
Maricopa County Tourism Promotion	2,000,000	2,000,000	2,000,000
Media Advertising	5,597,900	4,949,100	4,949,077
Media Communications	402,000	402,000	401,933
Research and Data Repository	35,700	35,700	32,641
Travel Counseling and Direct Marketing	1,113,700	954,800	954,617
Administrative Adjustments	0	229,851	229,851
State Treasurer			
Operating Lump Sum Appropriation	2,281,300	2,253,700	2,248,736
Justice of the Peace Salaries	2,775,500	2,775,500	2,426,048
Community College Reimbursements	0	2,788,320	2,788,320
Corporate Income Tax Transfer to WQARF	0	10,000,000	10,000,000
Property Tax Refund	120,095	120,095	120,095
Administrative Adjustments	0	450,983	450,983
Tax Appeals Board			
Operating Lump Sum Appropriation	298,500	268,500	240,337
Administrative Adjustments	0	84	84
University of Arizona			
Operating Lump Sum Appropriation	235,826,500	222,376,900	222,376,900
Agriculture	40,504,700	39,090,600	39,090,600
Sierra Vista Campus	2,326,100	2,220,400	2,220,400
Operating Lump Sum Appropriation	44,130,800	41,312,184	41,312,184
Clinical Teaching Support	9,434,500	9,434,500	9,434,500
Telemedicine	1,212,100	1,167,203	1,167,203
Clinical Rural Rotation	478,500	458,313	458,313
Liver Research Institute	506,800	486,200	486,200
Uniform State Law Commission			
Operating Lump Sum Appropriation	38,800	36,603	36,603
Veterans' Services Department			
Operating Lump Sum Appropriation	881,694	881,694	879,408
Veterans' Organizations Contracts	29,200	29,200	29,200
Nursing Home Project	3,605	3,605	0
Nursing Home Project	18,934	18,934	0
Nursing Home Project	13,284	13,284	0
Southern Arizona Veterans' Cemetery	104,900	104,900	103,398
Veterans' Conservatorship	433,640	433,640	433,640
Veterans' Services	883,266	883,266	882,877
Administrative Adjustments	0	13,666	13,666
Southern Arizona Cemetery	214,200	214,200	43,601
ASVJ - Air Conditioning Unit Repair	0	17,625	17,625
Water Resources Department			
Cochise-Wilcox County Flood Control	400,000	0	0
Operating Lump Sum Appropriation	14,652,400	13,418,000	13,116,861
Rural Water Studies FY02 - 03	0	500,000	475,321
Rural Water Studies FY00 - 01	113,414	108,414	108,414
Riparian Bill	191	0	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Hydrology Study	8	0	0
Administrative Adjustments	0	72,727	72,727
Weights and Measures Department			
Operating Lump Sum Appropriation	1,482,700	1,314,100	1,292,090
Administrative Adjustments	0	6,644	6,644
Total General Fund Budgetary Expenditures before Adjustment	10,008,644,620	10,253,681,027	9,486,919,711
Less:			
Economic Security Long-Term Care System Fund Appropriations that were duplicate expenditure authorizations	(430,721,600)	(439,912,500)	0
Total General Fund Budgetary Expenditures after Adjustment	$ 9,577,923,020	$ 9,813,768,527	$ 9,486,919,711

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND			
Department of Transportation			
Aeronautics Division - Operating Lump Sum Appropriation	$ 1,898,000	$ 1,898,000	$ 1,789,244
Airport Planning and Development FY02 - 03	10,064,000	10,064,000	9,771,913
Airport Planning and Development FY01 - 02	3,409,102	3,409,102	3,409,102
Building Renewal FY00 - 01	20,520	20,520	0
General Fund Transfer 1st Special Session Chapter 1	0	4,500,000	4,500,000
Law Suit Settlement	0	1,500,000	1,492,584
Administrative Adjustments	0	1,342	1,342
Operating Lump Sum Appropriation	51,100	51,100	51,100
Administration - Operating Lump Sum Appropriation	51,966,400	50,806,100	50,754,625
Highways - Operating Lump Sum Appropriation	45,643,900	44,521,200	44,370,846
Highway Maintenance Lump Sum Appropriation FY02 - 03	97,436,300	93,153,900	90,571,791
Highway Maintenance Lump Sum Appropriation FY01 - 02	3,521,869	3,521,314	3,520,310
Motor Vehicle Division Lump Sum Appropriation FY02 - 03	78,330,900	75,686,300	75,217,010
Highway Construction FY02 - 03	0	298,728,000	249,622,790
Highway Construction FY01 - 02	52,791,014	52,791,014	52,791,014
Transfer to Department of Public Safety	28,266,600	28,266,600	28,266,600
Building Renewal FY02 - 03	1,634,000	1,634,000	257,567
Building Renewal FY01 - 02	912,959	912,959	831,680
Building Renewal FY00 - 01	380,523	380,523	353,060
North Phoenix Maintenance Yard	149,920	149,920	82,739
Cottonwood Motor Vehicle Division Service Center FY00 - 01	66,515	66,515	65,325
Cottonwood Motor Vehicle Division Service Center FY99 - 00	4,192	4,192	2,629
Glendale Motor Vehicle Division Service Center FY00 - 01	358,472	358,472	356,213
Glendale Motor Vehicle Division Service Center FY99 - 00	18,460	18,460	18,460
De-Icer Buildings FY02 - 03	200,000	200,000	4,072
De-Icer Buildings FY00 - 01	189,074	189,074	185,719
Douglas Motor Vehicle Division Service Center	735,235	735,235	731,922
Payson Motor Vehicle Division Service Center FY01 - 02	856,000	856,000	0
Payson Motor Vehicle Division Service Center FY00 - 01	44,138	44,138	0
Fire System Upgrades	46,187	46,187	0
Liquid De-Icer Storage Tanks	1,481	1,481	45
Motor Vehicle Division Central Arizona Port New Trailers	816	816	0
Plate To Owner	75,070	74,987	74,987
Methane Extraction Unit	63,115	63,115	(2,321)
Special Projects	30,868	30,868	0
Douglas Maintenance Yard Admin Adjustment FY90 - 91	2,000	2,000	0
Holbrook Maintenance Yard Sewer System	238,299	238,299	170,400
Motor Vehicle Division Electronic Certificate Of Title Sys FY02 - 03	0	60,000	46,512
Motor Vehicle Division Electronic Certificate Of Title Sys FY01 - 02	260,112	260,112	255,259
Motor Vehicle Division Fuel Dispenser Labels	0	5,000	4,997
Motor Vehicle Division One-Time Trailer Fees Implementation	44,285	44,285	562
Motor Vehicle Division Security Enhancement Issues FY02 - 03	2,750,400	2,687,700	5,245
Motor Vehicle Division Security Enhancement Issues FY01 - 02	2,174,462	2,174,462	1,186,772
West Phoenix Motor Vehicle Division Service Center	1,283,027	1,283,027	931,939
Asbestos & Lead Inspections FY02 - 03	600,000	600,000	1,960
Asbestos & Lead Inspections FY01 - 02	700,000	700,000	94,633
East Valley Maintenance Yard	0	1,184,000	47
Judicial Fee Programming	0	250,000	150,000
Trailer Registration	200,000	72,700	42,372
Vehicle Registration Enforcement	648,100	48,100	30,894

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Administrative Adjustments	0	1,420,150	1,420,150
Highway Maintenance Lump Sum Appropriation	525,700	525,700	525,700
Motor Vehicle Division Lump Sum Appropriation	1,810,300	1,810,300	1,419,657
Motor Vehicle Division Nogales Port Facility FY00 - 01	992,297	992,297	968,027
Motor Vehicle Division Nogales Port Facility FY99 - 00	1,399,728	1,399,728	473,875
Modular Trailer Operating Expenses	22,535	22,535	3,653
Nogales Port of Entry	17,632	17,632	17,630
Arizona - Mexico Border Points FY97 - 98	569	569	0
Safety Enforcement and Infrastructure Fund Transfer to DPS	1,128,700	1,128,700	1,128,700
City Of Douglas Secure Parking Facility	0	78,000	78,000
City Of Nogales Hazardous Materials Response	0	475,000	475,000
Greater Yuma Port Authority Master Plan	0	300,000	300,000
Naco Highway By-Pass Asphalt Overlay	0	227,000	227,000
Southern Border Ports Administrative Office Annex	0	50,000	0
Administrative Adjustments	0	542	542
Motor Vehicle Division Lump Sum Appropriation	1,044,400	1,044,400	1,008,097
Motor Vehicle Division Lump Sum Appropriation	1,030,200	1,030,200	1,010,995
Administrative Adjustments	0	3,472	3,472
Department of Public Safety Shift from HURF	28,974,600	38,974,600	38,974,600
HURF Transfer to DPS for Personnel and Operating	0	7,598,000	7,486,000
HURF Transfer to DPS for Overtime	0	1,700,200	1,700,200
HURF Transfer to DPS for Highway Patrol Vehicles	0	6,255,400	6,255,400
Vehicle Registration Enforcement	648,200	648,200	648,200
Motor Vehicle Division Lump Sum Appropriation FY00 - 01	699,822	699,822	273,205
Governor's Office of Highway Safety			
Voluntary Motorcycle Education Awareness	0	80,000	10,127
Total Transportation and Aviation Planning, Highway Maintenance and Safety Fund Budgetary Expenditures	$ 426,362,098	$ 750,777,566	$ 686,422,190

The Notes to Required Supplementary Information are an integral part of this schedule.

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2002 that affect available appropriations during fiscal year 2003. The final budget represents any appropriation bills passed during fiscal year 2003 for fiscal year 2003 plus the original budget. Appropriation bills passed after the end of fiscal year 2003 for fiscal year 2003 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State's budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 9,486,920	$ 686,422
Differences - budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2002 to fiscal year end 2003.	30,176	235,187
Increase in unpaid payroll expenditures from fiscal year end 2002 to fiscal year end 2003. For budgetary reporting, final June 2003 payroll expenditures were charged to fiscal year 2004 budget.	4,979	-
By legislative action, the distributions to school districts for the June 15, 2003, Basic State Aid payment were deferred until July 1, 2003 (fiscal year 2004). The deferred payment is recorded as a modified accrual expenditure and liability in fiscal year 2003.	191,000	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	703,700	-
Distribution to counties and cities for Urban Revenue Sharing, derived from the State's income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	430,559	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	99,405	-
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2003.	2,881,297	1,607,074
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(796,436)	(511,110)
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$ 13,031,600	$ 2,017,573

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits budgeted expenditures from exceeding 7.41 percent of aggregate personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during a three-week administrative period known as the 13th month. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on both an annual and biennial basis. Laws 2001, Chapter 236 appropriated biennial budgets for all state agencies. In biennial budgets, an agency receives a separate appropriation for each of two fiscal years. For "small" regulatory agencies, comprised of five to ten people, whose budgets were merely amended for technical adjustments in Laws 2002, Chapter 327, the first year (FY 2002) appropriations do not lapse until the end of the second year (FY 2003). Except where specifically noted by the appropriation bills, the appropriations for all other agencies lapse at the end of each fiscal year. For the "large" fifteen state agencies, Laws 2002, Chapter 210 returned their budgets to a "one" year cycle beginning with the 2003 Legislative Session (fiscal year 2004 budget request). In prior years the "large" agencies have accounted for approximately ninety percent or more of the appropriations for the General Fund.

The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriations Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to shift funds among line items, programs and subprograms without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum – The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to ARS §35-173, an agency must seek approval of the Joint Legislative Budget Committee before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Department of Administration (ADOA), but not the Joint Legislative Budget Committee.

Detailed Line Item – The agency appropriation for each fiscal year consists of each line item listed in the Appropriation Report including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfers between all line items.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2003

During the fiscal year, $579.452 million in supplemental appropriations net of increases and reversions were provided to enhance various programs. The General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund received $245.036 and $324.416 million, respectively, and those amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The State Department of Administration – Financial Services Division exercises oversight and does not disburse funds in excess of appropriations.

The governor shall have in continuous process of preparation and revision a tentative budget report for the next two ensuing years for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature *may* provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditure of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the Department of Economic Security's Long Term Care appropriation line items at the bottom of page 120. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from general fund budget (appropriation) totals on page 132.

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), the State of Arizona reports it's roads and bridges using the modified approach. Assets accounted for under the modified approach include approximately 6,801 centerline miles (18,129 travel lane miles) of roads and 4,463 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Five-Year Transportation Facilities Construction Program, in effect for fiscal year 2003 and beyond, was adopted by the Transportation Board on June 25, 2002.

The following information pertains to the condition assessment and maintenance of infrastructure assets.

Roads

The mission of the ADOT Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal: the efficient, effective management of the State's assets to produce long term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State's highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability", which can be defined as the ability of a pavement to serve the travelling public (as documented in 1961 after AASHTO Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement and many surveys since the original road test have shown that these measurements closely track the subjective opinion of the travelling public. Most commonly, this number is called "Present Serviceability Rating" (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State's highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavements on an annual basis. As of the end of fiscal year 2003, an overall rating of 3.6 was achieved, as shown in the following graph:

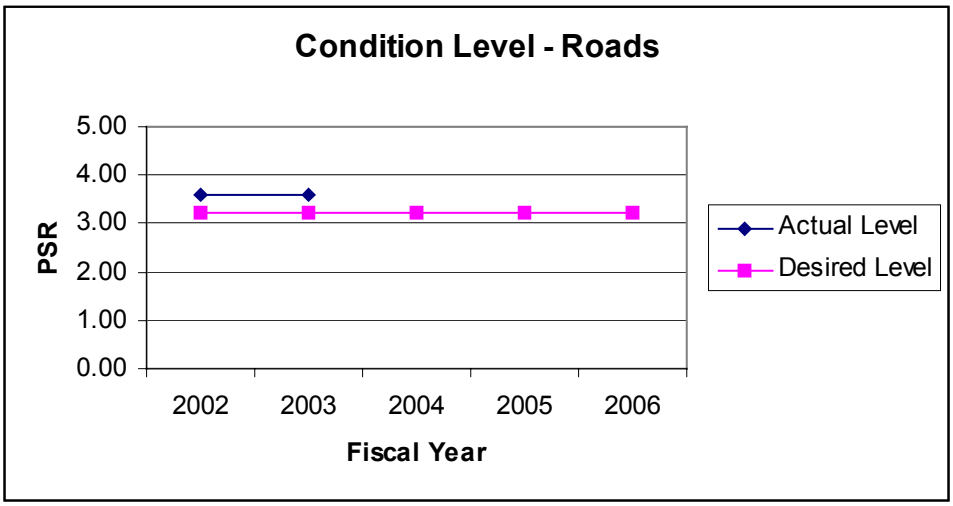


Figure 1

Preservation of the roads is accomplished through programs managed by the ADOT PMS, as well as other units within the Department. The estimated and actual expenditures for fiscal years 2002 and 2003 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$227.4	$234.8
2003	$243.5	$220.8

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2003, the State owns and maintains 4,463 bridges with an approximate total deck area of 40,841,425 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge-related data and assist bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings which, in turn, are based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges". The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the substructure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting, from one, the ratio of the sum of the deck

areas of all bridges with a condition rating of four or less (which indicates that the rated element is at best in a poor condition) to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of ADOT's Bridge Group, and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2003, the CRI was computed at 93.9%.

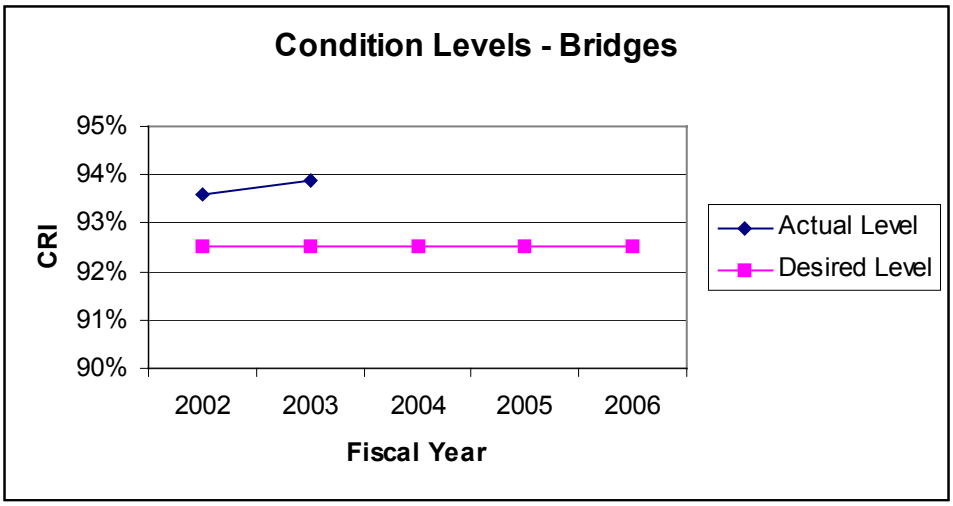


Figure 2

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of products and services for a safe, efficient, and cost effective transportation system. Figure 3, shown on the next page, indicates that approximately 65% of the bridges in the State were constructed prior to the 1970's, while only 22% have been constructed in the last two decades.

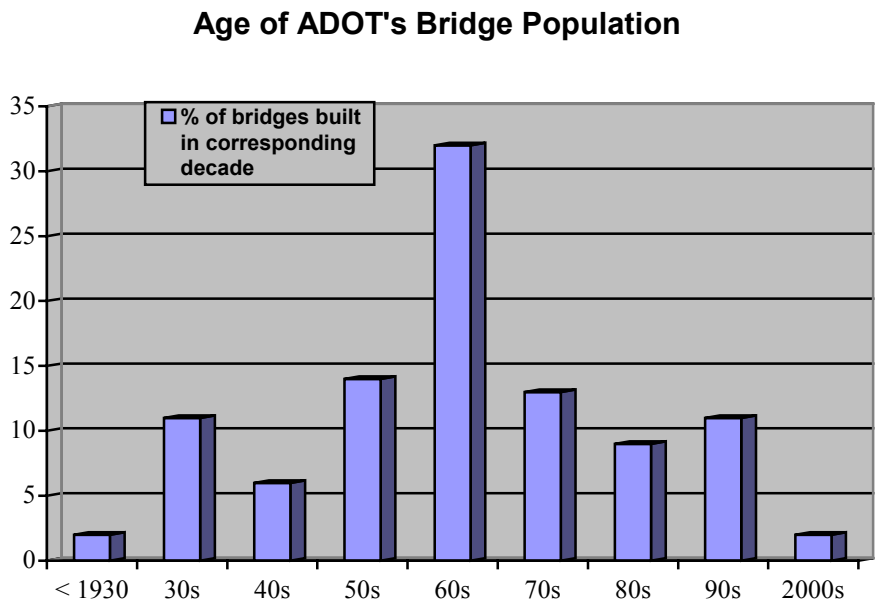


Figure 3

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated and actual expenditures for fiscal years 2002 and 2003 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2002	$14.4	$18.2
2003	$13.6	$15.8

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLANS FUNDING PROGRESS
JUNE 30, 2003

Analysis of the funding progress for each of the agent, multiple-employer defined benefit plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Excess	Funded Ratio	Annual Covered Payroll	Funding Excess as Percentage of Covered Payroll
PSPRS	6/30/03	$ 612,183	$ 594,058	$ 18,125	103.1%	$ 71,364	25.4%
	6/30/02	618,490	534,873	83,617	115.6%	69,923	119.6%
	6/30/01	625,933	464,891	161,042	134.6%	70,439	228.6%
CORP	6/30/03	632,635	552,740	79,895	114.5%	286,197	27.9%
	6/30/02	613,427	495,124	118,303	123.9%	266,189	44.4%
	6/30/01	608,165	434,945	173,220	139.8%	277,591	62.4%

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds

Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	$ 1,385	$ -	$ -	$ 1,385
Cash and pooled investments with State Treasurer	654,227	36,536	395	691,158
Receivables, net of allowances:				
Taxes	7,832	-	-	7,832
Interest	1,051	955	470	2,476
Other	22,801	-	-	22,801
Due from U.S. Government	153	-	-	153
Due from others	9	-	-	9
Due from other Funds	57,607	-	-	57,607
Inventories, at cost	2,607	-	-	2,607
Restricted assets:				
Cash and pooled investments with State Treasurer	1,951	17,593	173,153	192,697
Cash held by trustee	-	179	33,432	33,611
Other	27	-	-	27
Total Assets	$ 749,650	$ 55,263	$ 207,450	$ 1,012,363
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	$ 196,897	$ -	$ 14,286	$ 211,183
Accrued liabilities	7,658	1,716	-	9,374
Due to local governments	1,192	-	-	1,192
Due to others	226	-	-	226
Due to other Funds	17,586	32,515	-	50,101
Unavailable deferred revenue	1,938	-	-	1,938
Unearned deferred revenue	1,966	-	-	1,966
Total Liabilities	227,463	34,231	14,286	275,980
Fund Balances:				
Reserved for:				
Highway construction	-	-	159,687	159,687
Other construction	-	-	33,477	33,477
School facilities improvements	33,893	-	-	33,893
Continuing appropriations	26,786	-	-	26,786
Debt service	-	21,032	-	21,032
Other fund balance reservations	14,252	-	-	14,252
Unreserved	447,256	-	-	447,256
Total Fund Balances	522,187	21,032	193,164	736,383
Total Liabilities and Fund Balances	$ 749,650	$ 55,263	$ 207,450	$ 1,012,363

STATE OF ARIZONA

COMBINING STATEMENT OF REVENUES,

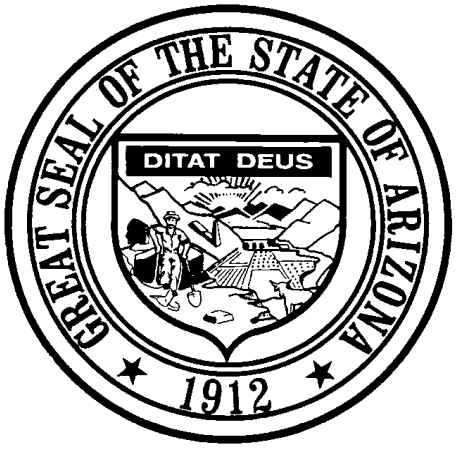
EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	$ 397,957	$ 57,290	$ -	$ 455,247
Income	29	-	-	29
Property	2,037	-	-	2,037
Motor vehicle and fuel	32,792	-	-	32,792
Other	208,957	-	-	208,957
Intergovernmental	97,677	-	-	97,677
Licenses, fees and permits	131,993	-	-	131,993
Earnings on investments	41,600	8,595	3,695	53,890
Sales and charges for services	33,324	-	-	33,324
Fines, forfeitures and penalties	85,492	-	-	85,492
Other	64,554	-	-	64,554
Total Revenues	1,096,412	65,885	3,695	1,165,992
EXPENDITURES				
Current:				
General government	93,198	-	-	93,198
Health and welfare	334,561	-	-	334,561
Inspection and regulation	90,473	-	-	90,473
Education	1,000,995	-	-	1,000,995
Protection and safety	93,246	-	-	93,246
Transportation	-	-	8,393	8,393
Natural resources	117,377	-	-	117,377
Debt service:				
Principal	871	288,392	-	289,263
Interest and other fiscal charges	1,012	130,258	2,605	133,875
Capital outlay	14,986	-	251,177	266,163
Total Expenditures	1,746,719	418,650	262,175	2,427,544
(Deficiency) of Revenues Over Expenditures	(650,307)	(352,765)	(258,480)	(1,261,552)
OTHER FINANCING SOURCES (USES)				
Transfers in	217,381	348,340	618	566,339
Transfers out	(308,269)	(33,642)	(21,863)	(363,774)
Capital lease and installment purchase contracts	752	-	-	752
Refunding bonds issued	-	90,530	-	90,530
Payment to refunded bond escrow agent	-	(107,735)	-	(107,735)
Bonds issued	331,500	-	331,475	662,975
Premium on bonds issued	18,229	17,219	10,929	46,377
Refunding certificates of participation issued	-	75,295	-	75,295
Payment to refunded certificate of participation escrow agent	-	(80,713)	-	(80,713)
Premium on certificates of participation issued	-	5,418	-	5,418
Total Other Financing Sources	259,593	314,712	321,159	895,464
Net Change in Fund Balances	(390,714)	(38,053)	62,679	(366,088)
Fund Balances - Beginning, as restated	912,901	59,085	130,485	1,102,471
Fund Balances - Ending	$ 522,187	$ 21,032	$ 193,164	$ 736,383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NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

The School Facilities Revenue Bond Proceeds Fund accounts for the receipt of the Education Transaction Privilege Revenue Bond proceeds. Funds are restricted to be expended to (1) pay the costs of correcting existing deficiencies in public school facilities for grades K-12, (2) pay bond related expenses, and (3) fully or partially fund any reserves or sinking fund accounts established by the bond resolution.

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public**.**

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; and medically needy healthcare programs.

The Children's Health Insurance Program Fund accounts for receipt of monies from Federal grants, Tobacco Tax appropriations, donations, and other sources. Monies are used for administration and operation of the Children's Health Insurance Program, which provides health insurance coverage to eligible children according to Federal and State requirements.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park land, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for statewide water protection planning; storage of Colorado River water; statewide water and groundwater conservation; county and metropolitan areas water use and dam repairs. All of these programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and state legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2003
(Expressed in Thousands)

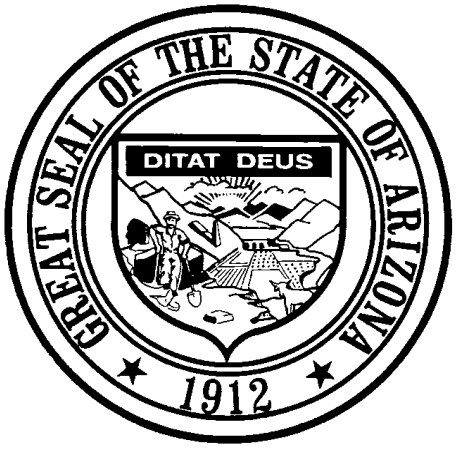
	SCHOOL FACILITIES PROCEEDS	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	CHILDREN'S HEALTH INSURANCE
ASSETS						
Cash	$ -	$ 1,307	$ 13	$ -	$ -	$ -
Cash and pooled investments with State Treasurer	48,861	82,963	77,825	42,149	12,553	984
Receivables, net of allowances:						
Taxes	-	3,761	-	695	3,376	-
Interest	64	95	198	21	15	-
Other	-	130	11,576	2,903	-	-
Due from U.S. Government	-	-	-	-	-	153
Due from others	-	9	-	-	-	-
Due from other Funds	-	6,162	8,952	5,735	1,186	46
Inventories, at cost	-	2,607	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	-	1,951	-	-
Other	-	-	-	-	-	26
Total Assets	$ 48,925	$ 97,034	$ 98,564	$ 53,454	$ 17,130	$ 1,209
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 15,032	$ 9,324	$ 47,062	$ 1,623	$ 3,228	$ 1,036
Accrued liabilities	-	337	30	4,616	22	198
Due to local governments	-	-	-	-	-	-
Due to others	-	16	-	-	-	-
Due to other Funds	-	267	710	1,398	6,162	4
Unavailable deferred revenue	-	-	-	1,938	-	-
Unearned deferred revenue	-	11	-	1,951	-	-
Total Liabilities	15,032	9,955	47,802	11,526	9,412	1,238
Fund Balances:						
Reserved for:						
School facilities improvements	33,893	-	-	-	-	-
Continuing appropriations	-	6,991	1,941	2,693	-	-
Other fund balance reservations	-	81	6,001	-	-	-
Unreserved	-	80,007	42,820	39,235	7,718	(29)
Total Fund Balances	33,893	87,079	50,762	41,928	7,718	(29)
Total Liabilities and Fund Balances	$ 48,925	$ 97,034	$ 98,564	$ 53,454	$ 17,130	$ 1,209

JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING	GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ 2	$ 28	$ 30	$ 5	$ -	$ -	$ -	$ -	$ 1,385
24,670	76,490	28,348	54,064	54,938	79,197	59,437	11,748	654,227
-	-	-	-	-	-	-	-	7,832
33	64	92	171	139	2	157	-	1,051
-	57	7	-	8,128	-	-	-	22,801
-	-	-	-	-	-	-	-	153
-	-	-	-	-	-	-	-	9
992	713	3,397	3,318	17,342	9,613	-	151	57,607
-	-	-	-	-	-	-	-	2,607
-	-	-	-	-	-	-	-	1,951
-	-	-	-	1	-	-	-	27
$ 25,697	$ 77,352	$ 31,874	$ 57,558	$ 80,548	$ 88,812	$ 59,594	$ 11,899	$ 749,650
$ 1,183	$ 2,291	$ 1,081	$ 1,191	$ 460	$ 113,269	$ 117	$ -	$ 196,897
158	1,289	751	56	92	28	70	11	7,658
-	-	-	-	-	1,192	-	-	1,192
-	207	3	-	-	-	-	-	226
384	474	176	8	8,002	-	1	-	17,586
-	-	-	-	-	-	-	-	1,938
-	-	-	-	4	-	-	-	1,966
1,725	4,261	2,011	1,255	8,558	114,489	188	11	227,463
-	-	-	-	-	-	-	-	33,893
487	1,211	3,849	2,435	4,015	3,164	-	-	26,786
-	28	30	5	8,107	-	-	-	14,252
23,485	71,852	25,984	53,863	59,868	(28,841)	59,406	11,888	447,256
23,972	73,091	29,863	56,303	71,990	(25,677)	59,406	11,888	522,187
$ 25,697	$ 77,352	$ 31,874	$ 57,558	$ 80,548	$ 88,812	$ 59,594	$ 11,899	$ 749,650

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	SCHOOL FACILITIES PROCEEDS	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	CHILDREN'S HEALTH INSURANCE
REVENUES						
Taxes:						
Sales	$ -	$ 24,952	$ -	$ 8,665	$ -	$ -
Income	-	-	-	-	-	-
Property	-	-	-	-	-	-
Motor vehicle and fuel	-	-	20,032	-	-	-
Other	-	50,534	2,151	22,815	113,464	-
Intergovernmental	-	6,264	179	8,955	-	58,922
Licenses, fees and permits	-	10,992	12,479	5,865	-	-
Earnings on investments	4,311	767	1,386	2,168	638	61
Sales and charges for services	-	24,745	63	1,898	-	3,313
Fines, forfeitures and penalties	-	41,076	3,531	8,966	-	-
Other	-	9,240	562	5,253	28	45
Total Revenues	4,311	168,570	40,383	64,585	114,130	62,341
EXPENDITURES						
Current:						
General government	-	24,856	1,080	3,023	6,134	-
Health and welfare	-	-	132,594	65,388	57,079	79,500
Inspection and regulation	-	-	1,115	-	-	-
Education	582,058	-	-	182	-	-
Protection and safety	-	93,246	-	-	-	-
Natural resources	-	15,549	859	-	-	-
Debt service:						
Principal	-	763	-	-	-	-
Interest and other fiscal charges	646	359	-	-	-	-
Capital outlay	-	3,676	236	176	26	-
Total Expenditures	582,704	138,449	135,884	68,769	63,239	79,500
Excess (Deficiency) of Revenues Over Expenditures	(578,393)	30,121	(95,501)	(4,184)	50,891	(17,159)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	94,293	67,562	18,014	1,186	11,361
Transfers out	-	(117,385)	(15,660)	(20,641)	(105,764)	-
Capital lease and installment purchase contracts	-	146	-	-	-	-
Bonds issued	331,500	-	-	-	-	-
Premium on bonds issued	18,229	-	-	-	-	-
Total Other Financing Sources (Uses)	349,729	(22,946)	51,902	(2,627)	(104,578)	11,361
Net Change in Fund Balances	(228,664)	7,175	(43,599)	(6,811)	(53,687)	(5,798)
Fund Balances - Beginning, as restated	262,557	79,904	94,361	48,739	61,405	5,769
Fund Balances - Ending	$ 33,893	$ 87,079	$ 50,762	$ 41,928	$ 7,718	$ (29)

JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING	GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
$ -	$ -	$ -	$ -	$ -	$ 364,340	$ -	$ -	$ 397,957
-	-	-	-	-	29	-	-	29
-	-	758	1,279	-	-	-	-	2,037
-	-	822	11,938	-	-	-	-	32,792
-	19,993	-	-	-	-	-	-	208,957
3,746	1,456	15,037	-	1,529	1,589	-	-	97,677
878	62,472	20,225	219	2,485	118	16,260	-	131,993
240	490	731	1,214	1,123	27,264	1,207	-	41,600
164	574	310	-	199	1,992	66	-	33,324
23,846	1,480	135	-	-	-	-	6,458	85,492
630	3,731	2,270	418	18,732	10,763	8,633	4,249	64,554
29,504	90,196	40,288	15,068	24,068	406,095	26,166	10,707	1,096,412
22,687	1,183	-	-	21,144	-	-	13,091	93,198
-	-	-	-	-	-	-	-	334,561
-	89,358	-	-	-	-	-	-	90,473
-	-	-	-	-	418,755	-	-	1,000,995
-	-	-	-	-	-	-	-	93,246
-	-	52,601	14,110	142	-	34,116	-	117,377
5	62	29	-	-	-	-	12	871
6	-	1	-	-	-	-	-	1,012
103	1,887	2,990	5,659	12	204	17	-	14,986
22,801	92,490	55,621	19,769	21,298	418,959	34,133	13,103	1,746,719
6,703	(2,294)	(15,333)	(4,701)	2,770	(12,864)	(7,967)	(2,396)	(650,307)
1,458	77	9,307	10,306	3,231	86	500	-	217,381
(5,100)	(8,511)	(5,233)	(14,539)	(12,595)	(885)	(181)	(1,775)	(308,269)
-	606	-	-	-	-	-	-	752
-	-	-	-	-	-	-	-	331,500
-	-	-	-	-	-	-	-	18,229
(3,642)	(7,828)	4,074	(4,233)	(9,364)	(799)	319	(1,775)	259,593
3,061	(10,122)	(11,259)	(8,934)	(6,594)	(13,663)	(7,648)	(4,171)	(390,714)
20,911	83,213	41,122	65,237	78,584	(12,014)	67,054	16,059	912,901
$ 23,972	$ 73,091	$ 29,863	$ 56,303	$ 71,990	$ (25,677)	$ 59,406	$ 11,888	$ 522,187


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS

The Department of Transportation Fund administers the payment of principal and interest on the 1991 Series A and 1992 Series B State of Arizona Subordinated Highway Revenue Bond issues, the 1993 Series State of Arizona Highway Revenue Refunding Bond issue, the 1993 Series A and 1993 Series B State of Arizona Subordinated Highway Revenue Refunding Bond issues, and the Series 1999 and 2001 State of Arizona Highway Revenue Bond issues.

The Maricopa Regional Area Road Fund administers the payment of principal and interest on the 1988 Series A, 1992 Series A Refunding, 1992 Series B, 1998 Series A and 2000 Series Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond issues, the 1995 Series A and 1999 Series Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues, and the 1993 Series and 1995 Series B Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Refunding Bond issues.

The Certificates of Participation Fund administers the payment of principal and interest on the State of Arizona Certificates of Participation series 92B, 93B, 2001A & B, 2002A and AHCCCS Certificates.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on the State of Arizona School Facilities Board Education Transaction Privilege Series 2001 Revenue Bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on Series 2000A and Series 2001A Arizona Transportation Board Grant Anticipation Notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2003
(Expressed in Thousands)

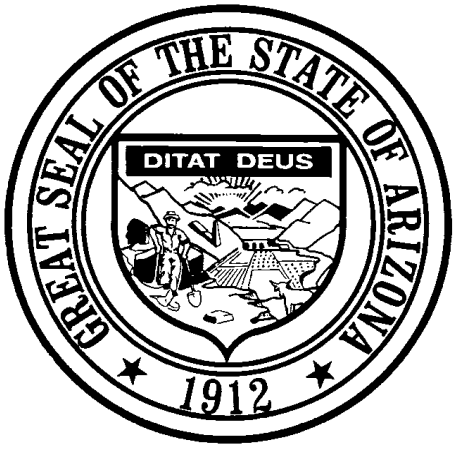
	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ -	$ 18,228	$ 18,308	$ -
Interest receivable	218	734	-	3	-
Restricted assets:					
Cash and pooled investments with State Treasurer	2,148	15,445	-	-	-
Cash held by trustee	-	-	179	-	-
Total Assets	$ 2,366	$ 16,179	$ 18,407	$ 18,311	$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	$ -	$ -	$ 173	$ 1,543	$ -
Due to other Funds	-	-	17,515	15,000	-
Total Liabilities	-	-	17,688	16,543	-
Fund Balances:					
Reserved for:					
Debt service	2,366	16,179	719	1,768	-
Total Fund Balances	2,366	16,179	719	1,768	-
Total Liabilities and Fund Balances	$ 2,366	$ 16,179	$ 18,407	$ 18,311	$ -

	TOTAL
$	36,536
	955
	17,593
	179
$	55,263
$	1,716
	32,515
	34,231
	21,032
	21,032
$	55,263

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT	GRANT ANTICIPATION NOTES
REVENUES					
Taxes:					
Sales	$ -	$ -	$ -	$ 57,290	$ -
Earnings on investments	2,636	2,117	414	3,428	-
Total Revenues	2,636	2,117	414	60,718	-
EXPENDITURES					
Debt service:					
Principal	44,490	190,415	15,327	25,010	13,150
Interest and other fiscal charges	41,963	31,637	11,070	36,905	8,683
Total Expenditures	86,453	222,052	26,397	61,915	21,833
(Deficiency) of Revenues Over Expenditures	(83,817)	(219,935)	(25,983)	(1,197)	(21,833)
OTHER FINANCING SOURCES (USES)					
Transfers in	83,157	216,336	27,014	-	21,833
Transfers out	-	-	(18,642)	(15,000)	-
Refunding bonds issued	90,055	475	-	-	-
Payment to refunded bond escrow agent	(102,951)	(4,784)	-	-	-
Premium on bonds issued	12,897	4,322	-	-	-
Refunding certificates of participation issued	-	-	75,295	-	-
Payment to refunded certificate of participation escrow agent	-	-	(80,713)	-	-
Premium on certificates of participation issued	-	-	5,418	-	-
Total Other Financing Sources (Uses)	83,158	216,349	8,372	(15,000)	21,833
Net Change in Fund Balances	(659)	(3,586)	(17,611)	(16,197)	-
Fund Balances - Beginning	3,025	19,765	18,330	17,965	-
Fund Balances - Ending	$ 2,366	$ 16,179	$ 719	$ 1,768	$ -

	TOTAL
$	57,290
	8,595
	65,885
	288,392
	130,258
	418,650
	(352,765)
	348,340
	(33,642)
	90,530
	(107,735)
	17,219
	75,295
	(80,713)
	5,418
	314,712
	(38,053)
	59,085
$	21,032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NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the bond proceeds from the State of Arizona Highway Revenue Bond Series 2001 and 2002. These monies are expended for the construction of Federal, State and local highways.

The Maricopa Regional Area Road Financed Fund administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bond Series 2000 and 2001. These monies are spent on the construction of State highways within Maricopa County.

The Grant Anticipation Notes Financed Fund administers proceeds from the Series 2000A and Series 2001A Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

Certificates of Participation Financed Fund administers the proceeds for the State's Certificates of Participation series 2002A. These monies are expended on various projects including new building construction, development of the Human Resource Information System, and the retiring of former Certificates of Participation.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	TOTAL
ASSETS					
Cash and pooled investments with State Treasurer	$ -	$ -	$ -	$ 395	$ 395
Receivables, net of allowances:					
Interest	470	-	-	-	470
Restricted assets:					
Cash and pooled investments with State Treasurer	173,143	-	10	-	173,153
Cash held by trustee	-	-	-	33,432	33,432
Total Assets	$ 173,613	$ -	$ 10	$ 33,827	$ 207,450
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 13,936	$ -	$ -	$ 350	$ 14,286
Total Liabilities	13,936	-	-	350	14,286
Fund Balances:					
Reserved for:					
Highway construction	159,677	-	10	-	159,687
Other construction	-	-	-	33,477	33,477
Total Fund Balances	159,677	-	10	33,477	193,164
Total Liabilities and Fund Balances	$ 173,613	$ -	$ 10	$ 33,827	$ 207,450

STATE OF ARIZONA

COMBINING STATEMENT OF REVENUES,

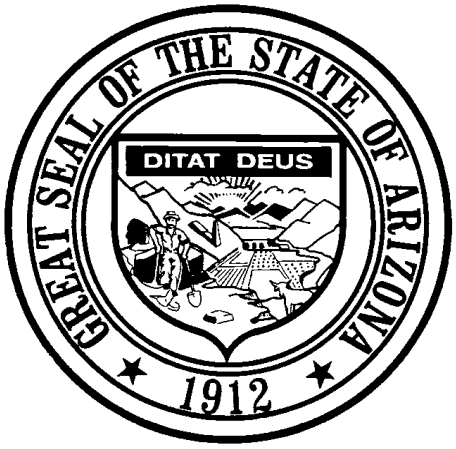
EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	MARICOPA RARF FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	TOTAL
REVENUES					
Earnings on investments	$ 2,843	$ 500	$ 144	$ 208	$ 3,695
Total Revenues	2,843	500	144	208	3,695
EXPENDITURES					
Current:					
Transportation	7,792	597	4	-	8,393
Debt service:					
Interest and other fiscal charges	1,925	485	-	195	2,605
Capital outlay	132,499	80,863	17,935	19,880	251,177
Total Expenditures	142,216	81,945	17,939	20,075	262,175
(Deficiency) of Revenues Over Expenditures	(139,373)	(81,445)	(17,795)	(19,867)	(258,480)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	618	618
Transfers out	(20,882)	(469)	(150)	(362)	(21,863)
Bonds issued	251,475	80,000	-	-	331,475
Premium on bonds issued	10,470	459	-	-	10,929
Total Other Financing Sources (Uses)	241,063	79,990	(150)	256	321,159
Net Change in Fund Balances	101,690	(1,455)	(17,945)	(19,611)	62,679
Fund Balances - Beginning, as restated	57,987	1,455	17,955	53,088	130,485
Fund Balances - Ending	$ 159,677	$ -	$ 10	$ 33,477	$ 193,164


GREAT SEAL OF THE STATE OF ARIZONA
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NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

Highway Expansion & Extension Loan Program provides the state and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 2 to 50 employees and employees of political subdivisions. The HCGA processes premium billing, collections and fund disbursement, and data analysis and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the Arizona Historical Society Revolving Fund, State Hospital Revolving Fund, and the State Home for Veterans Trust Fund.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash	$ 12	$ 50	$ -	$ 21	$ -
Cash and pooled investments with State Treasurer	723	4,422	1,559	2,875	24
Short-term investments	-	-	-	-	-
Receivables, net of allowances:					
Interest	-	18	7	31	250
Loan and note	-	-	-	-	4,357
Other	999	2,276	484	125	-
Due from U.S. Government	58	-	-	-	-
Due from local governments	-	-	-	-	381
Due from other Funds	92	-	-	-	109,540
Inventories, at cost	2,503	2,676	2,659	-	-
Other current assets	7	52	505	3	-
Total Current Assets	4,394	9,494	5,214	3,055	114,552
Noncurrent Assets:					
Restricted assets:					
Cash and pooled investments with State Treasurer	-	-	-	3,056	96,010
Loan and note receivables, net of allowances	-	-	-	-	24,256
Other long-term assets	-	-	179	-	-
Capital assets:					
Land, construction in progress and collections	182	728	8	165	-
Depreciable buildings, property and equipment	6,713	8,244	3,360	24,426	-
Less: accumulated depreciation	(4,915)	(6,280)	(2,242)	(19,827)	-
Total Noncurrent Assets	1,980	2,692	1,305	7,820	120,266
Total Assets	6,374	12,186	6,519	10,875	234,818
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	412	997	123	85	-
Accrued liabilities	128	135	113	66	5
Due to others	-	-	-	-	-
Due to other Funds	100	-	-	-	171,545
Unearned deferred revenue	-	-	4,243	-	-
Current portion of long-term debt	49	-	-	-	-
Current portion of other long-term liabilities	156	248	133	179	19
Total Current Liabilities	845	1,380	4,612	330	171,569
Noncurrent Liabilities:					
Long-term debt	80	-	-	-	-
Other long-term liabilities	68	-	-	-	-
Total Noncurrent Liabilities	148	-	-	-	-
Total Liabilities	993	1,380	4,612	330	171,569
NET ASSETS					
Invested in capital assets, net of related debt	1,980	2,693	1,126	4,764	-
Restricted for:					
Loans and other financial assistance	-	-	-	-	63,249
Other purposes	-	-	-	-	-
Unrestricted	3,401	8,113	781	5,781	-
Total Net Assets	$ 5,381	$ 10,806	$ 1,907	$ 10,545	$ 63,249

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ -	$ 249	$ 332
7,310	1,683	18,596
-	60	60
-	4	310
-	-	4,357
5	877	4,766
-	-	58
-	-	381
-	-	109,632
-	101	7,939
-	-	567
7,315	2,974	146,998
3,332	-	102,398
-	-	24,256
-	-	179
-	980	2,063
76	12,768	55,587
(69)	(2,564)	(35,897)
3,339	11,184	148,586
10,654	14,158	295,584
13	164	1,794
2,806	-	3,253
-	86	86
1,186	-	172,831
3,878	-	8,121
-	-	49
22	-	757
7,905	250	186,891
-	-	80
-	-	68
-	-	148
7,905	250	187,039
7	5	10,575
-	-	63,249
2,742	-	2,742
-	13,903	31,979
$ 2,749	$ 13,908	$ 108,545

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

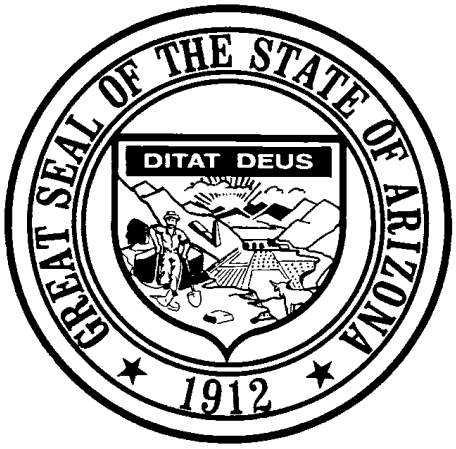
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	$ 16,496	$ 18,808	$ 9,596	$ 10,527	$ -
Intergovernmental	1,070	-	-	-	-
Licenses, fees and permits	-	-	-	-	-
Earnings on investments	-	-	-	-	3,881
Other	48	-	427	1,472	-
Total Operating Revenues	17,614	18,808	10,023	11,999	3,881
OPERATING EXPENSES					
Cost of sales and benefits	11,619	16,832	6,523	1,614	1
Interest on notes payable	-	-	-	-	6,009
Personal services	3,708	1,140	2,983	4,384	217
Contractual services	1,129	25	374	2,332	118
Depreciation and amortization	341	643	320	1,159	-
Insurance	-	-	-	396	-
Other	761	466	413	1,186	3
Total Operating Expenses	17,558	19,106	10,613	11,071	6,348
Operating Income (Loss)	56	(298)	(590)	928	(2,467)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	3	87	41	78	2,423
(Loss) on sale of capital assets	-	(3)	(5)	-	-
Interest expense	(1)	-	-	-	-
Total Non-Operating Revenues (Expenses)	2	84	36	78	2,423
Income (Loss) Before Contributions and Transfers	58	(214)	(554)	1,006	(44)
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	-	3	-	-	-
Transfers in	150	-	-	-	-
Transfers out	-	(1,000)	(500)	(2,000)	(20,000)
Total Contributions and Transfers	150	(997)	(500)	(2,000)	(20,000)
Change in Net Assets	208	(1,211)	(1,054)	(994)	(20,044)
Total Net Assets - Beginning	5,173	12,017	2,961	11,539	83,293
Total Net Assets - Ending	$ 5,381	$ 10,806	$ 1,907	$ 10,545	$ 63,249

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 26,283	$ 10,744	$ 92,454
-	-	1,070
-	780	780
-	-	3,881
-	27	1,974
26,283	11,551	100,159
30,592	413	67,594
-	-	6,009
662	8,689	21,783
234	742	4,954
6	338	2,807
-	170	566
296	901	4,026
31,790	11,253	107,739
(5,507)	298	(7,580)
106	26	2,764
-	-	(8)
-	-	(1)
106	26	2,755
(5,401)	324	(4,825)
-	-	3
7,131	-	7,281
(1,186)	(244)	(24,930)
5,945	(244)	(17,646)
544	80	(22,471)
2,205	13,828	131,016
$ 2,749	$ 13,908	$ 108,545

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 17,373	$ 18,792	$ 9,448	$ 10,539	$ 2,961
Transfers from other Funds	-	-	-	-	85,455
Payments to suppliers	(13,162)	(16,808)	(7,233)	(5,506)	(33)
Payments to employees	(3,631)	(1,115)	(2,914)	(4,369)	(216)
Transfers to other Funds	-	-	-	-	(116,306)
Other receipts (payments)	48	-	427	1,472	(1)
Net Cash Provided (Used) by Operating Activities	628	869	(272)	2,136	(28,140)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	65	-	-	-	-
Transfers to other Funds	-	(1,000)	(500)	(2,000)	(20,000)
Net Cash Provided (Used) by Non-capital Financing Activities	65	(1,000)	(500)	(2,000)	(20,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions received	-	3	-	-	-
Acquisition and construction of capital assets	(262)	(299)	(12)	(64)	-
Net Cash (Used) by Capital and Related Financing Activities	(262)	(296)	(12)	(64)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends from investments	2	98	42	105	2,839
Purchase of investments	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	2	98	42	105	2,839
Net Increase (Decrease) in Cash and Cash Equivalents	433	(329)	(742)	177	(45,301)
Cash and Cash Equivalents - Beginning	302	4,801	2,301	5,775	141,335
Cash and Cash Equivalents - Ending	$ 735	$ 4,472	$ 1,559	$ 5,952	$ 96,034
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 56	$ (298)	$ (590)	$ 928	$ (2,467)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	341	643	320	1,159	-
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(185)	(16)	20	12	(30,764)
(Increase) in due from U.S. Government	(8)	-	-	-	-
(Increase) in due from local governments	-	-	-	-	(203)
(Increase) in due from other Funds	-	-	-	-	(717)
(Increase) decrease in inventories, at cost	1,136	(44)	151	-	-
(Increase) decrease in other assets	(7)	-	89	30	-
Increase (decrease) in accounts payable	(1,011)	559	(163)	(8)	-
Increase in accrued liabilities	32	9	53	13	1
(Decrease) in due to others	-	-	-	-	-
Increase in due to other Funds	100	-	-	-	6,009
Increase (decrease) in deferred revenue	-	-	(168)	-	-
Increase (decrease) in other liabilities	174	16	16	2	1
Net Cash Provided (Used) by Operating Activities	$ 628	$ 869	$ (272)	$ 2,136	$ (28,140)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Donated equipment	$ -	$ 3	$ -	$ -	$ -
(Loss) on disposal of capital assets, net	-	(3)	-	-	-
Total Noncash Investing, Capital and Financing Activities	$ -	$ -	$ -	$ -	$ -

HEALTHCARE GROUP OF ARIZONA	OTHER	TOTAL
$ 27,336	$ 11,548	$ 97,997
-	-	85,455
(29,199)	(2,219)	(74,160)
(677)	(8,689)	(21,611)
-	-	(116,306)
-	27	1,973
(2,540)	667	(26,652)
9,045	-	9,110
(3,009)	(244)	(26,753)
6,036	(244)	(17,643)
-	-	3
-	(86)	(723)
-	(86)	(720)
106	24	3,216
-	(60)	(60)
106	(36)	3,156
3,602	301	(41,859)
7,040	1,631	163,185
$ 10,642	$ 1,932	$ 121,326
$ (5,507)	$ 298	$ (7,580)
6	338	2,807
16	24	(30,893)
-	-	(8)
-	-	(203)
-	-	(717)
-	6	1,249
-	-	112
(17)	80	(560)
1,940	-	2,048
-	(79)	(79)
-	-	6,109
1,037	-	869
(15)	-	194
$ (2,540)	$ 667	$ (26,652)
$ -	$ -	$ 3
-	-	(3)
$ -	$ -	$ -


GREAT SEAL OF THE STATE OF ARIZONA
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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Technologies and Telecommunications Fund receives monies from State agencies for services related to the operation of the data processing and telecommunications programs.

The Sick Leave Liability Fund (RASL) accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	SICK LEAVE LIABILITY
ASSETS					
Current Assets:					
Cash and pooled investments with State Treasurer	$ 18,400	$ 2,905	$ 31,278	$ 6,571	$ 2,742
Receivables, net of allowances:					
Interest	-	11	-	-	-
Other	58	-	7,405	1,929	-
Due from other Funds	-	-	4,342	1,651	-
Inventories, at cost	-	2,372	-	-	-
Other current assets	1,499	-	-	401	-
Total Current Assets	19,957	5,288	43,025	10,552	2,742
Noncurrent Assets:					
Capital assets:					
Land, construction in progress and collections	-	-	-	21	-
Depreciable buildings, property and equipment	462	115,690	-	38,139	-
Less: accumulated depreciation	(252)	(76,997)	-	(30,137)	-
Total Noncurrent Assets	210	38,693	-	8,023	-
Total Assets	20,167	43,981	43,025	18,575	2,742
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	1,347	151	34,177	545	-
Accrued liabilities	102	250	-	243	-
Due to other Funds	7	-	-	8	-
Current portion of long-term debt	-	-	-	182	-
Current portion of other long-term liabilities	248	485	-	667	5,628
Total Current Liabilities	1,704	886	34,177	1,645	5,628
Noncurrent Liabilities:					
Accrued insurance losses	233,080	-	-	-	-
Long-term debt	-	2,270	-	299	-
Other long-term liabilities	-	93	-	-	3,261
Total Noncurrent Liabilities	233,080	2,363	-	299	3,261
Total Liabilities	234,784	3,249	34,177	1,944	8,889
NET ASSETS					
Invested in capital assets, net of related debt	210	36,423	-	7,542	-
Unrestricted	(214,827)	4,309	8,848	9,089	(6,147)
Total Net Assets	$ (214,617)	$ 40,732	$ 8,848	$ 16,631	$ (6,147)

	MOTOR POOL		TOTAL
$	7,683	$	69,579
	-		11
	1,135		10,527
	472		6,465
	11		2,383
	-		1,900
	9,301		90,865
	-		21
	39,589		193,880
	(25,123)		(132,509)
	14,466		61,392
	23,767		152,257
	477		36,697
	12		607
	2		17
	-		182
	19		7,047
	510		44,550
	-		233,080
	-		2,569
	-		3,354
	-		239,003
	510		283,553
	14,466		58,641
	8,791		(189,937)
$	23,257	$	(131,296)

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

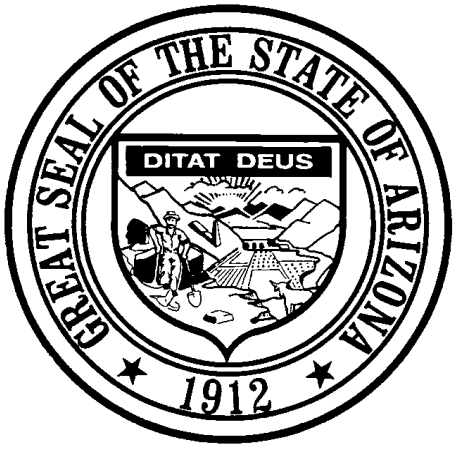
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS	SICK LEAVE LIABILITY
OPERATING REVENUES					
Sales and charges for services	$ 80,573	$ 31,266	$ 404,131	$ 33,748	$ 10,167
Other	-	651	-	1	-
Total Operating Revenues	80,573	31,917	404,131	33,749	10,167
OPERATING EXPENSES					
Cost of sales and benefits	-	11,037	417,411	12,522	9,729
Personal services	4,384	10,774	-	9,594	-
Contractual services	25,985	601	-	1,175	-
Depreciation and amortization	76	6,653	-	3,413	-
Insurance	43,982	605	-	217	-
Other	1,809	1,152	-	3,262	-
Total Operating Expenses	76,236	30,822	417,411	30,183	9,729
Operating Income (Loss)	4,337	1,095	(13,280)	3,566	438
NON-OPERATING REVENUES (EXPENSES)					
Gain on sale of capital assets	-	-	-	-	-
Investment income	-	101	-	-	-
Interest expense	-	(253)	-	-	-
Total Non-Operating Revenues (Expenses)	-	(152)	-	-	-
Income (Loss) Before Contributions and Transfers	4,337	943	(13,280)	3,566	438
CONTRIBUTIONS AND TRANSFERS					
Gifts and donations	-	-	-	-	-
Transfers in	1	-	-	40	-
Transfers out	(11,916)	(2,753)	-	(6,072)	(1,687)
Total Contributions and Transfers	(11,915)	(2,753)	-	(6,032)	(1,687)
Change in Net Assets	(7,578)	(1,810)	(13,280)	(2,466)	(1,249)
Total Net Assets - Beginning, as restated	(207,039)	42,542	22,128	19,097	(4,898)
Total Net Assets - Ending	$ (214,617)	$ 40,732	$ 8,848	$ 16,631	$ (6,147)

MOTOR POOL	TOTAL
$ 12,124	$ 572,009
35	687
12,159	572,696
3,540	454,239
569	25,321
141	27,902
4,817	14,959
992	45,796
1,191	7,414
11,250	575,631
909	(2,935)
238	238
-	101
-	(253)
238	86
1,147	(2,849)
122	122
-	41
(6,036)	(28,464)
(5,914)	(28,301)
(4,767)	(31,150)
28,024	(100,146)
$ 23,257	$ (131,296)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TECHNOLOGIES & TELE-COMMUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	$ 80,572	$ 31,472	$ 398,724	$ 35,178
Payments to suppliers and insurance companies	(74,943)	(13,587)	(412,891)	(19,599)
Payments to employees	(4,366)	(10,790)	-	(9,619)
Payments to retirees	-	-	-	-
Other receipts	-	651	-	32
Net Cash Provided (Used) by Operating Activities	1,263	7,746	(14,167)	5,992
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	1	-	-	40
Interest Paid	-	(253)	-	-
Transfers to other Funds	(11,916)	(2,753)	-	(6,072)
Net Cash (Used) by Non-capital Financing Activities	(11,915)	(3,006)	-	(6,032)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(30)	(2,236)	-	(1,000)
Principal paid on capital debt, installment purchase contracts and capital leases	-	(3,423)	-	(1,007)
Net Cash (Used) by Capital and Related Financing Activities	(30)	(5,659)	-	(2,007)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	113	-	-
Net Cash Provided by Investing Activities	-	113	-	-
Net (Decrease) in Cash and Cash Equivalents	(10,682)	(806)	(14,167)	(2,047)
Cash and Cash Equivalents - Beginning, as restated	29,082	3,711	45,445	8,618
Cash and Cash Equivalents - Ending	$ 18,400	$ 2,905	$ 31,278	$ 6,571
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 4,337	$ 1,095	$ (13,280)	$ 3,566
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	76	6,653	-	3,413
Miscellaneous nonoperating revenues	-	-	-	1,023
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	(1)	-	(1,065)	779
Decrease in due from local governments	-	38	-	-
(Increase) decrease in due from other Funds	-	168	(4,342)	(372)
(Increase) decrease in inventories, at cost	-	(63)	-	-
(Increase) decrease in other assets	(112)	-	-	(366)
Increase (decrease) in accounts payable	(1,801)	(127)	4,764	(2,032)
Increase in accrued liabilities	20	25	-	50
(Decrease) in due to U.S. Government	-	-	-	-
Increase (decrease) in due to other Funds	(3)	(2)	(244)	6
(Decrease) in accrued insurance losses	(1,251)	-	-	-
(Decrease) in other liabilities	(2)	(41)	-	(75)
Net Cash Provided (Used) by Operating Activities	$ 1,263	$ 7,746	$ (14,167)	$ 5,992
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Assets acquired under capital leases	$ -	$ -	$ -	$ 556
Total Noncash Investing, Capital and Financing Activities	$ -	$ -	$ -	$ 556

SICK LEAVE LIABILITY	MOTOR POOL	TOTAL
$ 11,291	$ 12,538	$ 569,775
-	(5,870)	(526,890)
-	(575)	(25,350)
(10,195)	-	(10,195)
-	35	718
1,096	6,128	8,058
-	-	41
-	-	(253)
(1,687)	(6,036)	(28,464)
(1,687)	(6,036)	(28,676)
-	(226)	(3,492)
-	-	(4,430)
-	(226)	(7,922)
-	-	113
-	-	113
(591)	(134)	(28,427)
3,333	7,817	98,006
$ 2,742	$ 7,683	$ 69,579
$ 438	$ 909	$ (2,935)
-	4,817	14,959
1,960	-	2,983
2	281	(4)
-	-	38
-	133	(4,413)
-	9	(54)
1,514	4	1,040
(1,287)	(20)	(503)
-	1	96
(838)	-	(838)
-	1	(242)
-	-	(1,251)
(693)	(7)	(818)
$ 1,096	$ 6,128	$ 8,058
$ -	$ -	$ 556
$ -	$ -	$ 556


GREAT SEAL OF THE STATE OF ARIZONA
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PENSION TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

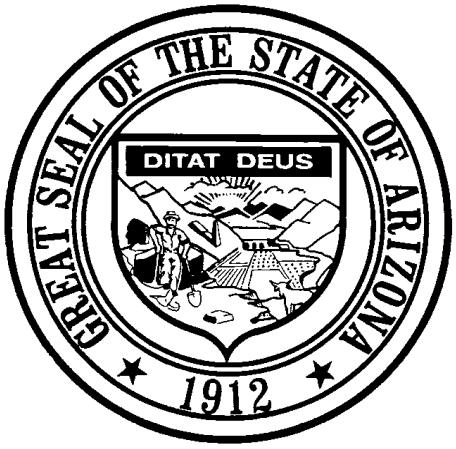
The Corrections Officer Retirement Plan is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ASSETS					
Cash	$ 15,099	$ -	$ -	$ -	$ 15,099
Receivables, net of allowances:					
Accrued interest and dividends	63,945	25,944	1,690	4,363	95,942
Securities sold	336,946	-	-	-	336,946
Forward contract receivable	6,818	-	-	-	6,818
Contributions	7,232	8,275	59	121	15,687
Court fees	-	-	310	-	310
Miscellaneous receivables	1,805	-	-	-	1,805
Total receivables	416,746	34,219	2,059	4,484	457,508
Investments, at fair value:					
Temporary investments	1,081,982	-	-	-	1,081,982
Temporary investments from securities lending	2,248,014	-	-	-	2,248,014
United States Government securities	3,352,902	297,345	23,672	50,998	3,724,917
Corporate bonds	1,454,699	718,008	50,427	118,204	2,341,338
Corporate notes	-	244,601	10,995	40,633	296,229
Corporate stocks	13,405,901	2,323,385	168,928	367,494	16,265,708
Real estate mortgages and contracts	30,212	-	-	-	30,212
Collateral investment pool	-	1,025,566	83,623	196,732	1,305,921
Other investments	-	213,449	13,202	39,585	266,236
Money market fund	-	1,086	328	1,541	2,955
Total investments	21,573,710	4,823,440	351,175	815,187	27,563,512
Property and equipment, net of accumulated depreciation	-	445	-	-	445
Total Assets	22,005,555	4,858,104	353,234	819,671	28,036,564
LIABILITIES					
Accounts payable	10,399	-	-	-	10,399
Payable for securities purchased	1,017,264	-	-	-	1,017,264
Obligation under securities loan agreements	2,248,004	1,025,566	83,623	196,732	3,553,925
Total Liabilities	3,275,667	1,025,566	83,623	196,732	4,581,588
NET ASSETS					
Held in Trust for Pension Benefits	$ 18,729,888	$ 3,832,538	$ 269,611	$ 622,939	$ 23,454,976

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS'	CORRECTIONS OFFICER	TOTAL
ADDITIONS:					
Member contributions	$ 177,157	$ 67,937	$ 4,356	$ 30,331	$ 279,781
Employer contributions	177,156	50,801	188	7,398	235,543
Member purchase of service credit	91,568	-	-	-	91,568
Court fees	-	-	3,568	-	3,568
Investment income:					
Net increase (decrease) in fair value of investments	(51,437)	120,304	7,987	16,546	93,400
Interest income	269,664	93,189	6,936	16,007	385,796
Dividends	156,929	18,761	1,364	2,950	180,004
Real estate	7,774	-	-	-	7,774
Other investment income	2,840	-	-	-	2,840
Securities lending income	30,449	1,608	121	267	32,445
Total investment income	416,219	233,862	16,408	35,770	702,259
Less investment expenses:					
Investment activity expenses	22,801	438	31	71	23,341
Security lending expenses	24,786	-	-	-	24,786
Net investment income	368,632	233,424	16,377	35,699	654,132
Other additions	1,984	1,394	1,880	3,189	8,447
Total Additions	816,497	353,556	26,369	76,617	1,273,039
DEDUCTIONS:					
Retirement and disability benefits	1,206,703	209,715	21,930	22,507	1,460,855
Death benefits	15,861	-	-	-	15,861
Refunds to withdrawing members, including interest	35,976	6,423	115	16,023	58,537
Administrative expense	24,182	812	73	427	25,494
Other deductions	13,696	386	207	1,049	15,338
Total Deductions	1,296,418	217,336	22,325	40,006	1,576,085
Change in net assets held in trust for pension benefits	(479,921)	136,220	4,044	36,611	(303,046)
Net Assets - Beginning	19,209,809	3,696,318	265,567	586,328	23,758,022
Net Assets - Ending	$ 18,729,888	$ 3,832,538	$ 269,611	$ 622,939	$ 23,454,976


GREAT SEAL OF THE STATE OF ARIZONA
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INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State in a trustee capacity for local governments and political subdivisions, of the State of Arizona, which have elected to invest idle cash with the State Treasurer's Office. The Treasurer acts as trustee for the deposits made by participants.

Central Arizona Water Conservation District was an Investment Trust Account composed of corporate debt and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, negotiable certificates of deposit and United States Government securities.

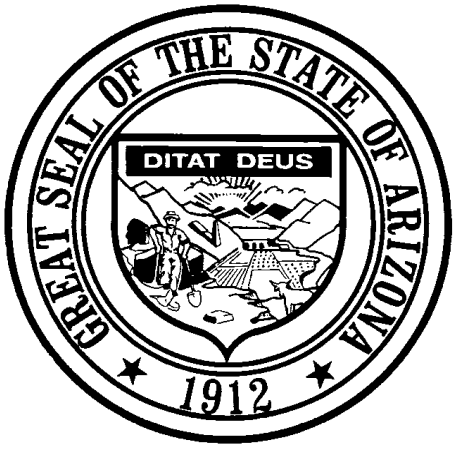
Local Government Investment Pool-Government is an Investment Trust Account composed of repurchase agreements and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ASSETS				
Receivables, net of allowances:				
Accrued interest and dividends	$ 932	$ 2,358	$ 2,346	$ 5,636
Total receivables	932	2,358	2,346	5,636
Investments, at fair value:				
United States Government securities	142,560	435,053	1,609,582	2,187,195
Corporate bonds	14,854	991,551	-	1,006,405
Total investments	157,414	1,426,604	1,609,582	3,193,600
Total Assets	158,346	1,428,962	1,611,928	3,199,236
LIABILITIES				
Due to local governments	1,552	2,147	2,993	6,692
Total Liabilities	1,552	2,147	2,993	6,692
NET ASSETS				
Held in trust for pool participants	$ 156,794	$ 1,426,815	$ 1,608,935	$ 3,192,544
Net assets consist of:				
Participant shares outstanding	156,794	1,426,815	1,608,935	3,192,544
Participants' net asset value (net assets/shares outstanding)	$ 1.00	$ 1.00	$ 1.00	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL-GOVERNMENT	TOTAL
ADDITIONS:				
Investment income:				
Net increase (decrease) in fair value of investments	$ (1,759)	$ 2,581	$ 967	$ 1,789
Interest income	5,124	48,537	10,350	64,011
Total investment income	3,365	51,118	11,317	65,800
Less: Investment activity expenses	111	1,990	633	2,734
Net investment income	3,254	49,128	10,684	63,066
Capital share and individual account transactions:				
Shares sold	156,127	3,410,971	2,270,241	5,837,339
Reinvested interest income	3,729	54,286	6,403	64,418
Shares redeemed	(3,062)	(5,394,842)	(885,129)	(6,283,033)
Net capital share and individual account transactions	156,794	(1,929,585)	1,391,515	(381,276)
Total Additions	160,048	(1,880,457)	1,402,199	(318,210)
DEDUCTIONS:				
Dividends to investors	3,254	49,128	10,684	63,066
Total Deductions	3,254	49,128	10,684	63,066
Change in net assets held in trust for pool participants	156,794	(1,929,585)	1,391,515	(381,276)
Net Assets - Beginning	-	3,356,400	217,420	3,573,820
Net Assets - Ending	$ 156,794	$ 1,426,815	$ 1,608,935	$ 3,192,544


GREAT SEAL OF THE STATE OF ARIZONA
DITAT DEUS
1912

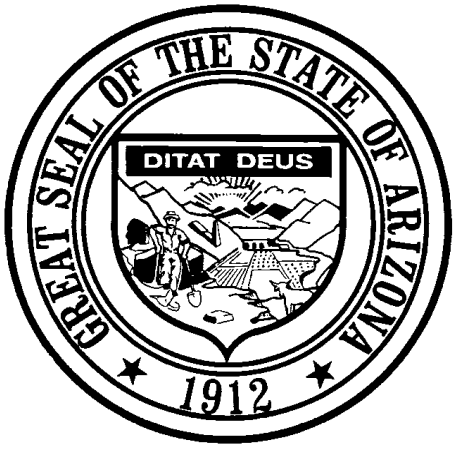
AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits made with the State Treasurer for investment purposes.

The Other Funds consists of various funds where the State acts as an agent for distribution to other governmental units or organizations.


GREAT SEAL OF THE STATE OF ARIZONA
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STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2003
(Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	$ -	$ -	$ 28,948	$ 28,948
Cash and pooled investments with State Treasurer	-	18,629	142,113	160,742
Short-term investments	-	-	2,978	2,978
Receivables, net of allowances:				
Interest	-	53	87	140
Other	-	-	764	764
Due from others	-	-	89,170	89,170
Custodial securities in safekeeping	2,928,537	-	37,538	2,966,075
Other assets	-	-	2,295	2,295
Total Assets	$ 2,928,537	$ 18,682	$ 303,893	$ 3,251,112
LIABILITIES				
Accounts payable and other current liabilities	$ -	$ 372	$ 111,343	$ 111,715
Accrued liabilities	-	-	6,123	6,123
Due to local governments	-	2,049	1,224	3,273
Due to others	2,928,537	16,261	185,203	3,130,001
Total Liabilities	$ 2,928,537	$ 18,682	$ 303,893	$ 3,251,112

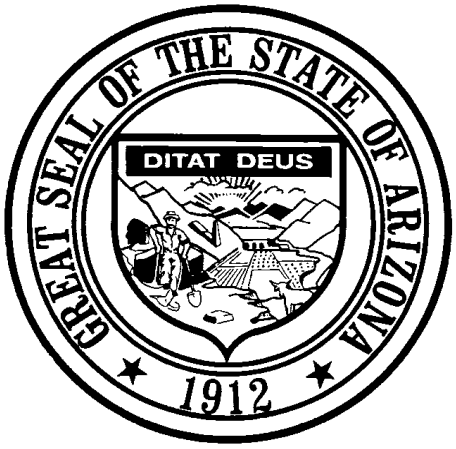
STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2002	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2003
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	$ 3,013,547	$ 776,476	$ 861,486	$ 2,928,537
Total Assets	$ 3,013,547	$ 776,476	$ 861,486	$ 2,928,537
Liabilities:				
Due to others	$ 3,013,547	$ 776,476	$ 861,486	$ 2,928,537
Total Liabilities	$ 3,013,547	$ 776,476	$ 861,486	$ 2,928,537
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	$ 13,591	$ 322,957	$ 317,919	$ 18,629
Interest receivable	39	53	39	53
Total Assets	$ 13,630	$ 323,010	$ 317,958	$ 18,682
Liabilities:				
Accounts payable and other current liabilities	$ 338	$ 62,876	$ 62,842	$ 372
Due to local governments	1,369	216,405	215,725	2,049
Due to others	11,923	60,441	56,103	16,261
Total Liabilities	$ 13,630	$ 339,722	$ 334,670	$ 18,682

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

	RESTATED BALANCE JULY 1, 2002	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2003
OTHER FUNDS				
Assets:				
Cash	$ 29,250	$ 28,948	$ 29,250	$ 28,948
Cash and pooled investments with State Treasurer	161,920	3,775,690	3,795,497	142,113
Short-term investments	-	2,978	-	2,978
Receivables, net of allowances:				
Interest	130	87	130	87
Other	876	764	876	764
Due from others	-	89,170	-	89,170
Custodial securities in safekeeping	41,676	37,538	41,676	37,538
Other assets	2,215	2,295	2,215	2,295
Total Assets	$ 236,067	$ 3,937,470	$ 3,869,644	$ 303,893
Liabilities:				
Accounts payable and other current liabilities	$ 132,071	$ 5,349,074	$ 5,369,802	$ 111,343
Accrued liabilities	31,995	6,123	31,995	6,123
Due to local governments	1,363	1,849	1,988	1,224
Due to others	70,638	183,712	69,147	185,203
Due to other Funds	-	3,675	3,675	-
Total Liabilities	$ 236,067	$ 5,544,433	$ 5,476,607	$ 303,893
COMBINED TOTAL ALL AGENCY FUNDS				
Assets:				
Cash	$ 29,250	$ 28,948	$ 29,250	$ 28,948
Cash and pooled investments with State Treasurer	175,511	4,098,647	4,113,416	160,742
Short-term investments	-	2,978	-	2,978
Receivables, net of allowances:				
Interest	169	140	169	140
Other	876	764	876	764
Due from others	-	89,170	-	89,170
Custodial securities in safekeeping	3,055,223	814,014	903,162	2,966,075
Other assets	2,215	2,295	2,215	2,295
Total Assets	$ 3,263,244	$ 5,036,956	$ 5,049,088	$ 3,251,112
Liabilities:				
Accounts payable and other current liabilities	$ 132,409	$ 5,411,950	$ 5,432,644	$ 111,715
Accrued liabilities	31,995	6,123	31,995	6,123
Due to local governments	2,732	218,254	217,713	3,273
Due to others	3,096,108	1,020,629	986,736	3,130,001
Due to other Funds	-	3,675	3,675	-
Total Liabilities	$ 3,263,244	$ 6,660,631	$ 6,672,763	$ 3,251,112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BUDGETARY COMPARISON SCHEDULE

OTHER GOVERNMENTAL FUNDS

BUDGETARY COMPARISON SCHEDULE
OTHER GOVERNMENTAL FUNDS

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
OTHER GOVERNMENTAL FUNDS		
Certificates of Deposit Debt Service		
General Fund Transfer 1st Special Session Chapter 1	$ 20,050,000	$ 17,515,082
Accountancy Board		
Operating Lump Sum Appropriation FY02 - 03	2,114,500	1,598,760
Operating Lump Sum Appropriation FY01 - 02	510,993	45,962
Department of Administration		
Operating Lump Sum Appropriation	604,700	557,485
New Prison Complex FY99 - 00	50,478	47,270
Prison Planning and Siting FY98 - 99	(1,866,330)	(1,866,330)
New Prison Complex Planing Site Acquisition FY95 - 96	0	0
Southwest Regional Prison Complex FY98 - 99	1,073,926	10,702
Southwest Regional Prison Complex FY97 - 98	101,947	0
Southwest Regional Prison Complex FY96 - 97	792	589
Florence - 400 Modular and Tent Beds FY96 - 97	90	0
Yuma Complex - 800 Male Beds FY96 - 97	36,121	36,121
Yuma Complex - 800 Male Beds FY95 - 96	0	0
ASPC at Douglas Wastewater Treatment	0	0
ASPC Prison Beds - Globe	0	0
ASPC Perryville Security Improvements	11,948	0
Build-Out New DJC Secure Care Complex	0	0
Department of Corrections Building Renewal	1,234,779	1,019,540
Fort Grant Landfill Closure	549,281	273,712
Department of Corrections Lock Replacement	18,553	18,553
Department of Corrections Safety Improvements	1,362,543	156,080
ADJC HVAC Replacements/Renovations	3,666	3,666
Department of Juvenile Corrections Medical Unit FY01- 02	7,160	7,160
Department of Juvenile Corrections Building Renewal	0	0
Administrative Adjustments	3,870	3,870
General Fund Transfer 1st Special Session Chapter 1	12,000,000	12,000,000
Employee Bus Subsidy	475,400	441,359
General Fund Transfer 1st Special Session Chapter 1	500,000	500,000
General Fund Transfer 1st Special Session Chapter 1	200,000	200,000
Sexually Violent Persons Facility	0	0
Statewide Prison Maintenance FY93 - 94	9,724	0
Arizona Pioneers' Home Fire and Life Safety	65,963	13,380
Building Renewal Pioneers' Home	90,055	84,455
Arizona Pioneers' Home Plumbing Renovations	128,943	105,437
Building Renewal Miners' Hospital Fund	186,100	20,681
Health Lab COP Rent	835,669	835,669
Pioneers' Home Plumbing Renovations	200,000	200,000
Radiation Regulatory Agency		
Medical Radiological Technology Board	198,900	198,627
Medical Radiological Technology Board Assistant	23,665	12,290
Administrative Adjustments	5,751	5,751
Attorney General		
Operating Lump Sum Appropriation	17,179,400	15,981,543
Operating Lump Sum Appropriation	1,758,200	1,432,086
Administrative Adjustments	8,685	8,685
Victims' Rights Implementation Fund	3,168,300	2,850,562
Victims' Rights/Non Revert - HB 2427	710,596	231,451
Operating Lump Sum Appropriation	405,000	305,364
Operating Lump Sum Appropriation	2,097,100	1,977,003
Administrative Adjustments	5,744	5,744
General Fund Transfer 1st Special Session Chapter 1	1,625,000	1,625,000
General Fund Transfer 1st Special Session Chapter 1	200,000	200,000

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Department of Agriculture		
Operating Lump Sum Appropriation	64,900	62,077
Operating Lump Sum Appropriation	9,200	5,241
Administrative Adjustments	334	334
Operating Lump Sum Appropriation	995,700	746,200
Administrative Adjustments	15,948	15,948
Operating Lump Sum Appropriation	206,200	203,251
General Fund Transfer 1st Special Session Chapter 1	500,000	500,000
Administrative Adjustments	3,715	3,715
Operating Lump Sum Appropriation	21,400	21,400
Administrative Adjustments	95	95
Operating Lump Sum Appropriation	485,100	429,995
Administrative Adjustments	4,428	4,428
Operating Lump Sum Appropriation	259,900	250,604
General Fund Transfer 1st Special Session Chapter 1	200,000	200,000
Administrative Adjustments	3,715	3,715
Operating Lump Sum Appropriation	79,400	29,453
Operating Lump Sum Appropriation	245,900	152,306
Administrative Adjustments	107	107
Ratite General Fund FY98 - 99	71,786	0
General Fund Transfer 1st Special Session Chapter 1	1,831	1,831
Operating Lump Sum Appropriation	241,000	236,838
General Fund Transfer 1st Special Session Chapter 1	450,000	450,000
Administrative Adjustments	3,716	3,716
Operating Lump Sum Appropriation	52,500	30,931
Wine Promotion	54,858	0
Acupuncture Board of Examiners		
Operating Lump Sum Appropriation FY02 - 03	60,500	59,788
Operating Lump Sum Appropriation FY01 - 02	3,945	3,850
Appraisal Board		
Operating Lump Sum Appropriation FY02 - 03	462,500	458,598
Operating Lump Sum Appropriation FY01 - 02	8	8
Automobile Theft Authority		
Operating Lump Sum Appropriation	438,500	433,095
Auto Theft Authority Grants	3,475,500	3,469,450
Administrative Adjustments	1,643	15
Barber Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	192,200	191,086
Operating Lump Sum Appropriation FY01 - 02	4,358	4,358
Banking Department		
General Fund Transfer 1st Special Session Chapter 1	720,800	720,800
Board of Behavioral Health Examiners		
Operating Lump Sum Appropriation FY02 - 03	717,000	611,759
Operating Lump Sum Appropriation FY01 - 02	82,808	11,430
Board of Nursing		
Operating Lump Sum Appropriation FY02 - 03	2,902,700	2,902,150
Operating Lump Sum Appropriation FY01 - 02	597	597
Cosmetology Board		
Operating Lump Sum Appropriation FY02 - 03	1,488,600	1,469,165
Operating Lump Sum Appropriation FY01 - 02	365,043	783
Corporation Commission		
Operating Lump Sum Appropriation	10,814,700	10,386,711
Utility Audits, Studies, Investigations and Rate Hearing FY00-01	130,611	112,721
Utility Audits, Studies, Investigations and Rate Hearing FY98-99	8,000	8,000
Utility Audits, Studies, Investigations and Rate Hearing FY97-98	3,392	3,392
Utility Audits, Studies, Investigations and Rate Hearing FY01-02	380,000	0

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Supplemental - Utility Audits 44th Leg 2nd RS	1,254	1,254
Supplemental - Utility Audits 45th Leg 2nd RS	380,270	130,895
General Fund Transfer 1st Special Session Chapter 1	750,000	750,000
Administrative Adjustments	48,837	48,837
Operating Lump Sum Appropriation	761,200	749,334
Annual Reversion per ARS 44-3298	766,482	766,482
Operating Lump Sum Appropriation	1,789,700	1,743,992
Administrative Adjustments	16,204	16,204
Operating Lump Sum Appropriation	3,381,100	3,090,367
Investigation and Prosecution of Security Fraud	165,599	0
Administrative Adjustments	3,730	3,730
Chiropractic Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	345,700	340,704
Operating Lump Sum Appropriation FY01 - 02	41,304	41,254
Department of Corrections		
Operating Lump Sum Appropriation	29,978,100	16,784,086
ASPC Yuma - Shingle Cocopah Dorms/Reseal Roof	54,000	31,276
Reimbursement for Private Incarceration	664,125	374,888
Administrative Adjustments	822,398	822,398
Operating Lump Sum Appropriation	449,300	424,459
General Fund Transfer 1st Special Session Chapter 1	1,000,000	1,000,000
Administrative Adjustments	22,307	22,307
General Fund Transfer 1st Special Session Chapter 1	1,000,000	1,000,000
Operating Lump Sum Appropriation	1,375,000	1,203,508
Administrative Adjustments	7,267	7,267
Operating Lump Sum Appropriation	570,000	397,678
State Charitable, Penal and Reformatory Land Earnings	89,972	45,230
Administrative Adjustments	110,169	110,169
Department of Economic Security		
ADM Public Assistance Collections	228,200	66,480
ADM Attorney General Legal Services	85,600	22,899
General Fund Transfer 1st Special Session Chapter 1	1,150,000	1,150,000
Administrative Adjustments	49,436	49,436
DCYF Child Abuse Prevention	814,800	778,699
DCYF Healthy Families	250,000	250,000
Administrative Adjustments	607,625	607,625
DCYF Operating Lump Sum Appropriation	209,600	132,699
Administrative Adjustments	5,981	5,981
DACS Domestic Violence Prevention	1,700,000	1,500,000
DERS Operating Lump Sum Appropriation	490,100	370,446
DERS Vocational Rehabilitation Services	304,700	165,600
DERS Independent Living Rehabilitation Services	1,572,100	1,479,565
ADM Operating Lump Sum Appropriation	103,100	0
Administrative Adjustments	268,440	268,440
ADM Operating Lump Sum Appropriation	541,900	240
DERS Operating Lump Sum Appropriation	85,000	8,794
DERS JOBS	1,500,000	1,226,092
Administrative Adjustments	1,230,806	1,230,806
Commission for the Deaf and Hard of Hearing		
Operating Lump Sum Appropriation	5,434,200	4,697,161
General Fund Transfer 1st Special Session Chapter 1	2,000,000	2,000,000
Administrative Adjustments	311,053	311,053
Department of Juvenile Corrections		
Black Canyon Institution - Electrical System Repairs	74,090	74,090
Adobe Mountain - Repair Subfloor, Floor and Walls	21,040	21,040
Adobe Mountain - Upgrade Fire Booster Pump	19,000	18,537

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Catalina Mountain Institution - Replace Kitchen Floor	68,960	32,875
Operating Lump Sum Appropriation	747,100	426,344
Operating Lump Sum Appropriation	360,000	360,000
Dispensing Opticians Board		
Operating Lump Sum Appropriation FY02 - 03	98,700	98,689
Operating Lump Sum Appropriation FY01 - 02	11,107	5,401
Board of Dental Examiners		
Operating Lump Sum Appropriation FY02 - 03	774,700	765,294
Operating Lump Sum Appropriation FY01 - 02	12,416	11,417
Department of Education		
Achievement Testing	2,088,400	1,919,362
School Accountability Fund - Proposition 301 FY02 - 03	4,586,800	3,022,688
School Accountability Fund - Proposition 301 FY01 - 02	(18,616,681)	(18,616,681)
School Accountability - School Safety Proposition 301	7,800,000	4,635,724
School Safety - Character Education	200,000	200,000
Additional School Days	31,530,100	28,892,592
Administrative Adjustments	2,448,927	2,448,927
School Accountability Fund	38,274,100	38,274,100
School Accountability Fund - Proposition 301 FY01 - 02	20,336,920	20,336,920
General Fund Transfer 1st Special Session Chapter 1	500,000	500,000
Basic State Aid Entitlement	70,263,000	70,263,000
Department of Commerce		
Lottery 1989	5,001	0
Arizona Sonora Economic Development Study	10,000	0
Williams Gateway Airport Authority	4,000,000	0
Operating Lump Sum Appropriation	630,500	538,337
Advertising and Promotion	659,200	295,911
Economic Development Matching Funds	104,000	50,838
International Trade Offices	976,000	830,959
Main Street	130,000	91,489
Minority and Women Owned Business	109,900	109,882
National Law Center/Free Trade	200,000	200,000
REDI Matching Grants	45,000	13,461
Small Business Advocate	109,000	108,891
Administrative Adjustments	115,757	113,132
CEDC Commission	254,400	212,548
Administrative Adjustments	138	138
Deficiencies Correction Fund Transfer	8,000,000	8,000,000
Oil Overcharge Administration	147,500	120,411
General Fund Transfer 1st Special Session Chapter 1	2,500,000	2,500,000
Department of Environmental Quality		
UST Assurance Acct - Technical Appeals Panel FY01 -02	10,000	
UST Assurance Acct - Policy Comm FY01 - 02	972	972
Department of Administration Bus Subsidy	475,400	475,400
Department of Administration Travel Reduction Transfer	400,000	400,000
Department of Transportation Administration Transfer	51,100	51,100
Weights and Measurers Oxygenated Fuels Transfer	1,172,300	1,172,300
Air Quality Program FY02 - 03	4,211,600	3,343,498
Air Quality Program - Continuing FY02 - 03	250,000	53,011
Air Quality Program - Continuing FY01 - 02	225,000	0
Emissions Cap and Trading Program FY02 - 03	300,000	7,023
Emissions Cap and Trading Program FY01 - 02	280,121	170,111
Pima County Air Quality Program	165,000	165,000
Political Subdivisions Assistance	65,555	25,029
Roadside Diesel Emissions Testing Program FY02 - 03	200,000	0
Roadside Diesel Emissions Testing Program FY01 - 02	200,000	0

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Visibility Index Development FY02 - 03	300,000	27,437
Visibility Index Development FY01 - 02	447,763	367,174
Air Permits Administration Program	5,294,000	5,091,790
General Fund Transfer 1st Special Session Chapter 1	2,000,000	2,000,000
Administrative Adjustments	540,050	540,050
Solid Waste Program	2,073,200	1,537,365
General Fund Transfer 1st Special Session Chapter 1	1,500,000	1,500,000
Administrative Adjustments	67,156	34,699
Waste Tire Program	195,700	36,412
Solid Waste Program	1,071,900	559,859
Emissions Control Program	3,914,100	2,512,194
Emissions Contractor Payments	31,739,600	25,182,262
General Fund Transfer 1st Special Session Chapter 1	2,000,000	2,000,000
Administrative Adjustments	7,576	7,576
Hazardous Waste Program	768,100	467,817
Hazardous Waste Reserve FY95 - 96	29,273	0
Hazardous Waste Reserve FY94 - 95	64,000	0
Relief Bill	447	447
Solid Waste Program	129,800	90,145
Administrative Adjustments	8,005	8,005
UST Assurance Acct - Technical Appeals Panel FY00 - 01	7,500	0
UST Assurance Acct - Policy Comm FY00 - 01	6,531	6,257
UST Assurance Acct - Policy Comm FY99 - 00	347,021	328,164
UST Program	22,000	605
General Fund Transfer 1st Special Session Chapter 1	2,400,000	2,400,000
General Fund Transfer 1st Special Session Chapter 1	3,600,000	3,600,000
Administrative Adjustments	972	972
Water Quality Program	3,610,600	1,601,109
General Fund Transfer 1st Special Session Chapter 1	2,600,000	2,600,000
Relief Bill	3,840	3,840
Administrative Adjustments	33,072	33,072
Funeral Directors and Embalmers		
Operating Lump Sum Appropriation FY02 - 03	263,400	254,039
Operating Lump Sum Appropriation FY01 - 02	24,066	23,539
Game and Fish Department		
Operating Lump Sum Appropriation	18,083,000	16,601,601
Pittman - Robertson/Dingell - Johnson Act	2,708,000	2,708,000
Performance Based Incentives Program FY02 - 03	300,000	300,000
Building Renewal FY02 - 03	331,000	98,683
Building Renewal FY01 - 02	251,835	240,026
Building Renewal FY00 - 01	104,128	90,328
Facility Improvements FY02 - 03	170,000	23,400
Facility Improvements FY01 - 02	169,342	33,642
Facility Improvements FY99 - 00	25,433	18,744
Facility Improvements FY00 - 01	6,748	4,294
Shooting Range Development FY02 - 03	100,000	0
Shooting Range Development FY01 - 02	47,122	5,000
Shooting Range Development FY00 - 01	30,938	0
Shooting Range Development FY99 - 00	4,505	2,447
Shooting Range Development FY98 - 99	5,930	1,660
Shooting Range Development FY97 - 98	2,048	2,048
Flagstaff Shooting Range Development FY00 - 01	74,000	0
Flagstaff Shooting Range Development FY99 - 00	15,340	0
Lease Purchase Payoff FY98 - 99	0	0
Lease Purchase Payoff FY96 - 97	0	0
Administrative Adjustments	65,629	65,629

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Headquarters Expansion and Renovation FY02 - 03	800,000	0
Headquarters Expansion and Renovation FY01 - 02	500,000	0
Headquarters Expansion and Renovation FY00 - 01	212,333	0
Deer Valley North Office Renovation FY95 - 96	219	219
Flagstaff Shooting Range Planning FY02 - 03	500,000	0
Flagstaff Shooting Range Planning FY01 - 02	494,306	33,214
Operating Lump Sum Appropriation	43,500	23,728
Migratory Waterfowl Development FY02 - 03	100,000	0
Migratory Waterfowl Development FY01 - 02	100,000	0
Migratory Waterfowl Development FY00 - 01	100,000	0
Migratory Waterfowl Development FY99 - 00	100,000	0
Migration Waterfowl Development FY98 - 99	89,312	0
Migratory Waterfowl Development FY97 - 98	89,700	30,095
Migration Waterfowl Habitat FY96 - 97	94,700	94,697
Migration Waterfowl Habitat FY95 - 96	1,214	1,214
Migration Waterfowl Habitat FY93 - 94	1,302	0
Administrative Adjustments	5,125	5,125
Operating Lump Sum Appropriation	2,502,900	2,384,603
Performance Based Incentives Program	46,800	46,478
W.C. Performance Based Incentives Program	2	0
General Fund Transfer 1st Special Session Chapter 1	1,500,000	1,500,000
Administrative Adjustments	8,970	8,970
Operating Lump Sum Appropriation	16,000	8,317
Administrative Adjustments	15,190	15,190
Operating Lump Sum Appropriation	294,200	232,040
Administrative Adjustments	11,862	11,862
Performance Based Incentives Program FY00 - 01	13	0
Performance Based Incentives Program FY97 - 98	6,571	0
Department of Gaming		
Operating Lump Sum Appropriation	3,966,000	3,964,907
Administrative Adjustments	9,903	9,903
Operating Lump Sum Appropriation	1,111,100	1,083,867
Arizona Health Care Cost Containment System		
Health Care Group Administration	1,717,700	1,196,585
Administrative Adjustments	31,134	31,134
Children's Health Insurance Program - Services	60,247,900	57,956,987
Children's Health Insurance Program - Parents	26,345,200	14,857,291
Children's Health Insurance Program - Administration	9,360,100	6,670,388
Administrative Adjustments	1,258,198	1,087,425
Department of Housing		
Operating Lump Sum Appropriation	438,800	438,800
General Fund Transfer 1st Special Session Chapter 1	2,000,000	2,000,000
Administrative Adjustments	4,462	4,462
Homeopathic Medical Examiners		
Operating Lump Sum Appropriation FY02 - 03	78,000	57,928
Operating Lump Sum Appropriation FY01 - 02	19,776	2,078
Department of Health Services		
Assurance and Licensure	38,000	0
Public Health - EMS Operations	2,908,300	2,570,608
Public Health - Trauma Advisory Board	250,000	127,837
Family Health - High Risk Perinatal Services	450,000	318,341
Administration - Operating Lump Sum Appropriation	17,100	0
Rural Ambulance Services	200,000	200,000
Rural Medical Services	581,929	508,838
General Fund Transfer 1st Special Session Chapter 1	1,600,000	1,600,000
Administrative Adjustments	300,051	297,803

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Family Health - Child Fatality Review Team	100,000	88,440
Administration - Indirect Costs	478,600	310,923
Newborn Screening Program	3,211,400	2,517,326
Relief Bill	5,480	5,480
Administrative Adjustments	248,082	248,082
Public Health - Poison Control Center	800,000	600,000
University of Arizona Poison Control	1,050,000	787,500
Administrative Adjustments	462,500	462,500
Behavioral Health - Substance Abuse Non-Title XIX	3,350,000	3,349,999
Alzheimer's Grants	1,000,000	1,000,000
Mental Health Research Institute Grant	2,500,000	654,932
General Fund Transfer 1st Special Session Chapter 1	500,000	500,000
Public Health - Laboratory Services	790,400	645,678
Administrative Adjustments	20,804	20,804
Public Health - Aids Reporting and Treatment	1,000,000	1,000,000
Behavioral Health - Seriously Mentally Ill Non-Title XIX	10,790,000	10,790,000
Seriously Mentally Ill State Match for Title XIX	5,000,000	5,000,000
Hepatitis C Virus Surveillance	350,000	236,731
Immunization Information System	477,000	440,251
Local Health Departments	200,000	200,000
Administrative Adjustments	272,401	272,401
Operating Lump Sum Appropriation	650,000	632,539
Industrial Commission		
Operating Lump Sum Appropriation	15,983,500	14,967,550
General Fund Transfer 1st Special Session Chapter 1	1,000,000	1,000,000
Administrative Adjustments	90,066	90,066
Criminal Justice Commission		
Operating Lump Sum Appropriation	2,900,000	2,812,684
Crime Victim Compensation	23,933	23,933
Crime Victim Compensation Special AG Transfer FY00 - 01	140,213	113,467
Administrative Adjustments	125	125
Drug and Gang Prevention Resource Center	259,800	259,800
General Fund Transfer 1st Special Session Chapter 1	200,000	200,000
Operating Lump Sum Appropriation	464,200	448,550
Administrative Adjustments	17,422	17,422
Operating Lump Sum Appropriation	692,800	692,800
Rural State Aid to County Attorneys	157,700	157,700
Operating Lump Sum Appropriation	657,800	657,800
Rural State Aid to Indigent Defense	149,800	149,800
Legislative Council		
Old Capitol Building Repairs FY00 - 01	29,714	29,714
Land Department		
In State Fire Costs	2,663,480	2,663,480
Fire Suppression	1,000,000	1,000,000
General Fund Transfer 1st Special Session Chapter 1	70,000	70,000
Natural Resource Conservation Districts	490,000	490,000
Environmental Education Program	286,000	139,820
General Fund Transfer 1st Special Session Chapter 1	250,000	250,000
Department of Emergency and Military Affairs		
Operating Lump Sum Appropriation	132,700	132,700
Medical Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	4,811,000	4,580,746
Operating Lump Sum Appropriation FY01 - 02	350,198	300,903
Document Imaging/Web Site Development/Maintenance	75,208	0
Performance Based Incentive Program	227,423	115,472

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Naturopathic Board		
Personal Services	97,400	96,755
Employee Related Expenditures	12,100	11,859
All Other Operating Expenditures FY02 - 03	53,300	52,927
All Other Operating Expenditures FY01 - 02	18,168	18,158
Operating Lump Sum Appropriation FY01 - 02	19,231	0
Inspections Required FY02 - 03	51,300	51,274
Inspections Required FY01 - 02	183	0
Nursing Care Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	339,500	335,911
Operating Lump Sum Appropriation FY01 - 02	83,996	43,853
Optometry Board		
Operating Lump Sum Appropriation FY02 - 03	145,900	143,778
Operating Lump Sum Appropriation FY01 - 02	8,682	8,561
Osteopathic Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	412,100	317,800
Operating Lump Sum Appropriation FY01 - 02	700	700
Health Crisis Fund Repayment	25,000	25,000
Occupational Therapy Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	208,800	158,436
Operating Lump Sum Appropriation FY01 - 02	50,918	9,888
Commission for Postsecondary Education		
Personal Services	180,500	180,500
Employee Related Expenditure	36,100	36,100
All Other Operating Expenditures	56,900	47,054
Family College Savings Plan	38,300	36,400
Arizona College and Career Guide	21,200	14,802
Arizona Minority Education Policy Analysis Center	74,500	24,666
Twelve Plus Partnership	231,200	165,316
Leveraging Educational Assistance Partnership	2,143,700	1,618,054
Pioneer's Home		
Other Operating Expenditures	443,800	443,095
Professional & Outside Services	32,163	32,163
Food	103,337	103,337
Prescription Drugs	135,600	133,825
Building Renewal FY01 - 02	8,543	5,633
Prescription Drugs	34,210	22,995
Employee Related Expenses	1,059,500	1,059,500
Food	29,753	16,168
Personal Services	3,104,600	2,917,038
Professional & Outside Services	120,537	97,042
Travel - In State	24,200	21,795
Other Operating Expenditures	80,000	72,872
Pharmacy Board		
Operating Lump Sum Appropriation FY02 - 03	1,227,600	1,153,628
Operating Lump Sum Appropriation FY01 - 02	232,451	95,822
Podiatry Board		
Operating Lump Sum Appropriation FY02 - 03	102,400	89,281
Operating Lump Sum Appropriation FY01 - 02	9,610	3,041
Parks Board		
Partnerships and Grants	180,700	176,689
Parks Development and Operations	4,505,100	4,474,823
Administration	1,450,100	1,421,457
Operating Lump Sum Appropriation	0	0
Partnerships and Grants	1,116,940	1,116,940
Operating Lump Sum Appropriation	0	0

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Parks Development and Operations	289,700	181,025
Administrative Adjustments	18,741	18,741
FY 91 Pass Through Grants	2,067,639	0
FY 90 Pass Through Grants	40,191	0
FY 89 Pass Through Grants	10,436	0
Land, Buildings and Improvement Control FY90 - 91	1,500	0
Land, Buildings and Improvement Control FY90 - 91	19,258	0
Land, Buildings and Improvement Control FY90 - 91	32,684	0
Land, Buildings and Improvement Control FY89 - 90	4,388	0
Land, Buildings and Improvement Control FY89 - 90	258,697	0
General Fund Transfer 1st Special Session Chapter 1	10,000,000	10,000,000
Parks Operations	692,100	351,726
General Fund Transfer 1st Special Session Chapter 1	4,000,000	4,000,000
Department of Public Safety		
Board of Fingerprinting - Clearance Fund	33,300	24,401
Operating Lump Sum Appropriation	2,121,500	1,798,997
General Fund Transfer 1st Special Session Chapter 1	400,000	400,000
Administrative Adjustments	277,378	277,378
Operating Lump Sum Appropriation	38,862,600	38,862,600
Pioneer Park Transportation Svc Ctr - Prescott FY00 - 01	11,092	11,092
Pioneer Park Transportation Svc Ctr - Prescott FY99 - 00	5,595	5,595
Patrol Officers FY02 - 03	15,553,600	12,979,385
Patrol Officers FY01 - 02	643,431	640,129
Operating Lump Sum Appropriation	3,732,300	3,732,300
General Fund Transfer 1st Special Session Chapter 1	200,000	200,000
Operating Lump Sum Appropriation	429,100	429,100
DNA Testing	2,000,000	562,913
Operating Lump Sum Appropriation	2,197,000	2,197,000
Operating Lump Sum Appropriation	13,454,000	13,389,961
General Fund Transfer 1st Special Session Chapter 1	1,000,000	1,000,000
Administrative Adjustments	350	350
Operating Lump Sum Appropriation	1,128,700	1,128,700
Operating Lump Sum Appropriation	28,266,600	28,266,600
Physical Therapy Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	232,200	232,056
Operating Lump Sum Appropriation FY01 - 02	17,493	17,477
Private Post-Secondary Education		
Operating Lump Sum Appropriation FY02 - 03	254,600	243,146
Operating Lump Sum Appropriation FY01 - 02	12,805	12,710
General Fund Transfer 1st Special Session Chapter 1	100,000	100,000
Board of Respiratory Care Examiners		
Operating Lump Sum Appropriation FY02 - 03	177,400	156,036
Operating Lump Sum Appropriation FY01 - 02	17,484	1,363
Racing Department		
Operating Lump Sum Appropriation	67,300	36,132
Operating Lump Sum Appropriation	339,600	278,982
Registrar of Contractors		
Operating Lump Sum Appropriation FY02 - 03	8,152,700	8,071,812
Operating Lump Sum Appropriation FY01 - 02	1,211,727	1,210,033
Incentive Pay	113,500	113,500
Office of Administrative Hearing	862,200	862,200
Department of Revenue		
Operating Lump Sum Appropriation	414,800	401,774
Administrative Adjustments	8,701	8,701

(Continued)

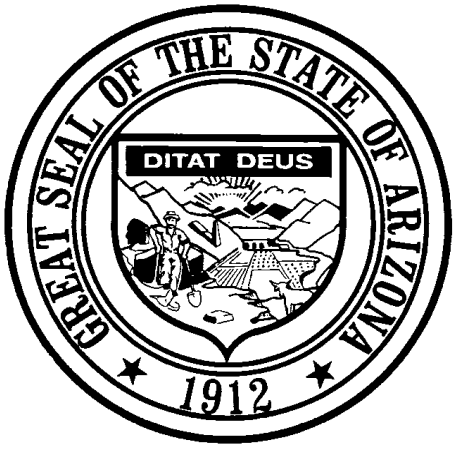
STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Structural Pest Control Board		
Operating Lump Sum Appropriation FY02 - 03	1,851,100	1,836,921
Operating Lump Sum Appropriation FY01 - 02	21,805	21,805
Schools for the Deaf and the Blind		
Operating Lump Sum Appropriation - Phoenix	5,387,860	4,534,449
Operating Lump Sum Appropriation - SW Admin	1,362,324	1,362,324
Operating Lump Sum Appropriation - Tucson	5,541,016	5,520,125
Administrative Adjustments	283,087	283,087
School Facilities Board		
Transfer per Laws 2003, 2RS, Chpt 327, HB2706	15,000,000	15,000,000
Building Inspections	400,000	0
Transfer per Laws 2001, 1RS, Chpt 232, HB2633	15,000,000	14,972,825
General Fund Transfer 1st Special Session Chapter 1	2,487,500	2,487,500
Supreme Court		
Confidential Intermediary FY 00 -01	117,852	110,164
Case Processing - State Aid	3,013,900	2,161,482
Community Punishment	1,830,400	574,234
Juvenile Crime Reduction	5,061,100	2,816,306
Private Fiduciary FY01 - 02	180,522	92,376
Private Fiduciary FY00 - 01	146,431	146,431
Confidential Intermediary FY02 - 03	396,500	12,405
Confidential Intermediary FY01 - 02	183,416	140
Court Appointed Special Advocate	2,439,400	2,245,337
Drug Study	38,514	0
State Aid to the Courts	2,257,100	1,885,745
Administrative Adjustments	3,560,100	3,560,100
General Fund Transfer 1st Special Session Chapter 1	800,000	800,000
Psychologist Examiners Board		
Operating Lump Sum Appropriation FY02 - 03	327,100	259,791
Operating Lump Sum Appropriation FY01 - 02	74,731	7,929
Technical Registration Board		
All Other Operating Expenditures FY02 - 03	414,100	403,631
All Other Operating Expenditures FY01 - 02	8,638	4,628
Personal Services FY02 - 03	655,100	624,850
Personal Services FY01 - 02	51,049	0
Employee Related Expenditures FY02 - 03	168,300	147,679
Employee Related Expenditures FY01 - 02	33,593	0
Home Inspectors Rules and Standards	5,760	111
Residential Utilities Consumer Office		
Operating Lump Sum Appropriation	956,400	870,152
Professional Witnesses FY02 - 03	145,000	83,052
Professional Witnesses FY01 - 02	131,715	32,829
Professional Witnesses FY00 - 01	63,336	40,828
Professional Witnesses FY99 - 00	49,324	0
Professional Witnesses FY98 - 99	11,977	0
Professional Witnesses FY97 - 98	13,057	2,453
General Fund Transfer 1st Special Session Chapter 1	300,000	300,000
Administrative Adjustments	1,259	1,259
Veterans' Services Department		
Operating Lump Sum Appropriation	541,000	455,626
Administrative Adjustments	132	132
Veterinary Medical Examining Board		
Operating Lump Sum Appropriation FY02 - 03	384,900	342,754
Operating Lump Sum Appropriation FY01 - 02	65,515	22,264
Water Resources Department		
General Fund Transfer 1st Special Session Chapter 1	181,500	181,500

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Weights and Measures Department		
Operating Lump Sum Appropriation	1,172,300	1,091,305
Administrative Adjustments	9,551	9,551
Total Other Governmental Funds Budgetary Expenditures	$ 850,993,899	$ 749,715,659


GREAT SEAL OF THE STATE OF ARIZONA
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STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

STATE OF ARIZONA
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

SOURCE	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Taxes:										
Sales	$4,555,389	$4,424,528	$4,019,574	$3,854,075	$3,508,327	$3,210,019	$3,060,258	$2,868,455	$2,681,756	$2,497,763
Income	2,387,369	2,410,342	2,879,011	2,820,067	2,648,271	2,460,630	2,289,563	1,933,554	1,904,250	1,728,225
Motor vehicle and fuel	1,563,876	1,493,259	1,332,917	1,360,117	1,412,052	1,332,059	1,287,636	1,196,683	972,276	912,337
Property	37,470	49,611	47,987	50,490	52,785	55,354	51,185	198,035	193,625	201,011
Unemployment	-	-	175,733	177,607	191,327	223,517	225,102	239,481	235,800	200,742
Other	632,896	543,055	508,499	491,379	493,760	443,999	487,921	445,526	390,564	337,480
Intergovernmental	6,141,218	5,182,770	4,421,940	3,987,414	3,758,126	3,362,720	3,444,011	3,211,114	3,087,353	2,629,549
Licenses, fees and permits	320,564	327,006	221,063	204,976	189,657	175,335	194,410	173,311	159,890	140,083
Earnings on investments	111,771	136,513	266,400	232,849	205,875	217,620	179,276	152,795	118,767	69,552
Sales and charges for services	111,438	140,568	78,684	58,203	47,910	56,662	28,111	24,096	13,105	15,082
Fines, forfeitures and penalties	96,192	98,349	87,620	80,466	80,210	63,425	57,000	56,702	59,271	38,782
Other	337,930	320,870	397,017	323,888	191,446	169,685	215,337	205,691	165,231	159,500
Total Revenues	$16,296,113	$15,126,871	$14,436,445	$13,641,531	$12,779,746	$11,771,025	$11,519,810	$10,705,443	$9,981,888	$8,930,106

STATE OF ARIZONA
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

FUNCTION	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General government	$689,603	$486,154	$1,970,048	$1,762,922	$1,605,452	$1,445,878	$1,336,854	$1,277,101	$1,189,562	$1,096,909
Health and welfare	6,652,661	5,788,774	5,131,426	4,556,141	4,304,739	4,005,762	4,057,734	3,790,039	3,644,541	3,208,547
Inspection and regulation	139,863	129,226	119,643	117,034	109,154	102,032	98,445	95,675	91,954	95,374
Education	4,882,516	4,188,501	3,473,005	3,188,645	2,829,105	2,591,121	2,400,212	2,220,246	2,033,675	1,841,961
Protection and safety	925,667	892,986	855,421	845,645	777,636	687,696	627,322	571,325	533,166	476,346
Transportation	463,756	401,372	1,829,350	1,811,957	1,748,482	1,499,551	1,307,624	1,287,309	1,008,472	1,011,600
Natural resources	163,946	140,600	116,732	100,718	94,399	97,377	90,417	87,252	81,629	91,227
Intergovernmental revenue sharing	2,159,691	2,190,160	-	-	-	-	-	-	-	-
Capital outlay	1,041,038	1,127,716	339,421	302,790	320,621	237,698	250,144	253,753	192,337	232,654
Debt service:										
Principal	297,508	270,850	227,408	192,563	180,157	167,590	168,815	151,652	118,869	100,754
Interest and other fiscal charges	140,613	125,594	91,364	91,222	89,323	89,272	99,150	103,562	107,750	111,123
Total Expenditures	$17,556,862	$15,741,933	$14,153,818	$12,969,637	$12,059,068	$10,923,977	$10,436,717	$9,837,914	$9,001,955	$8,266,495

Note: The State implemented GASB Statement No. 34-Basic Financial Statements and Management Discussion and Analysis in fiscal year 2002.
This statement required fund reclassifications in the governmental fund types for fiscal year 2002 and after.

STATE OF ARIZONA

PROPERTY TAX LEVIES, COLLECTIONS, TAXABLE PROPERTY ASSESSED AND ESTIMATED ACTUAL VALUE, AND PROPERTY TAX RATES

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

Property Tax Year	Property Tax Levies	Collections Related to Property Tax Year	Taxable Property Assessed Value	Taxable Property Estimated Actual Value	Property Tax Rate
2003	$ 13,629	$ 13,629	$ 38,294,937	$ 335,149,189	12 %
2002	13,802	13,802	34,854,286	294,684,679	12
2001	17,905	17,905	32,528,311	273,788,720	13
2000	22,532	22,532	29,944,135	246,615,904	13
1999	24,059	24,059	27,483,100	227,796,396	12
1998	27,129	27,129	25,682,910	210,603,642	10
1997	28,650	28,650	24,277,784	198,555,996	12
1996	32,759	28,828	22,811,159	179,907,771	14
1995	174,706	169,992	22,109,869	175,683,517	7.9
1994	176,972	171,251	21,688,439	164,689,671	8.2

Source: Department of Revenue Annual Financial Report

STATE OF ARIZONA

HIGHWAY CONSTRUCTION REVENUE BOND COVERAGE

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2003

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total	(1) Pledged Revenue	Coverage
2003	$ 44,490	$ 41,932	$ 86,422	$ 540,540	6.3
2002	45,365	38,534	83,899	523,326	6.2
2001	52,055	36,581	88,636	513,890	5.8
2000	46,270	33,994	80,264	528,721	6.6
1999	43,805	31,090	74,895	509,935	6.8
1998	43,405	33,266	76,671	468,240	6.1
1997	40,970	36,148	77,118	468,542	6.1
1996	38,430	38,770	77,200	429,825	5.6
1995	36,330	40,974	77,304	399,605	5.2
1994	33,425	44,037	77,462	385,844	5.0

(1) For fiscal years 1994 through 1996, net of 7% distributed to cities with a population greater than 300,000 persons. For fiscal years 1997 and after, includes vehicle license tax revenues distributed directly to the State Highway Fund.

Source: The Arizona Department of Transportation Comprehensive Annual Financial Report statistical section.

STATE OF ARIZONA
MARICOPA COUNTY ROAD CONSTRUCTION REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total	(1) Pledged Revenue	Coverage
2003	$ 190,415	$ 31,533	$ 221,948	$ 268,721	1.2
2002	163,455	35,445	198,900	267,563	1.3
2001	156,865	40,035	196,900	264,722	1.3
2000	128,805	42,609	171,414	248,596	1.5
1999	106,765	43,251	150,016	229,470	1.5
1998	82,765	40,512	123,277	209,263	1.7
1997	78,015	45,248	123,263	192,257	1.6
1996	76,955	46,209	123,164	178,413	1.4
1995	57,930	47,320	105,250	160,319	1.5
1994	54,710	49,347	104,057	142,846	1.4

(1) Bond coverage ratio is based upon total Transportation Excise Taxes collected within Maricopa County.

Source: The Arizona Department of Transportation Comprehensive Annual Financial Report statistical section.

Note: Presented for the first time in Fiscal Year 2003.

STATE OF ARIZONA
ARIZONA STATE UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(2) Debt Service Requirements Principal	Interest	Total	(2) Coverage
2003	$ 297,691	$ 9,695	$ 9,575	$ 19,270	15.45
2002	274,596	9,785	12,139	21,924	12.52
2001	261,328	8,995	11,766	20,761	12.59
2000	242,764	9,640	12,245	21,885	11.09
1999	233,404	9,205	12,685	21,890	10.66
1998	210,397	8,780	13,113	21,893	9.61
1997	196,143	8,330	13,563	21,893	8.96
1996	183,167	7,750	14,144	21,894	8.37
1995	165,736	7,085	14,807	21,892	7.57
1994	149,895	5,865	13,815	19,680	7.62

(1) "Gross Revenues" for the years 1999 through 2003 have been restated to include ASU West and ASU East campuses.

(2) Gross Revenues, debt service requirements, and coverage ratios for all years have been restated, to align with financial statement presentation. In prior years, coverage information was presented on a budgetary year.

Source: Arizona State University

STATE OF ARIZONA
NORTHERN ARIZONA UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

Fiscal Year	(1) Gross Revenues	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2003	$ 85,294	$ 9,426	$ 5,066	$ 14,492	5.89
2002	82,839	6,932	3,949	10,881	7.61
2001	78,907	6,214	5,246	11,460	6.89
2000	75,852	6,119	5,488	11,607	6.54
1999	73,467	6,075	5,810	11,885	6.18
1998	71,743	5,743	6,145	11,888	6.03
1997	70,036	5,677	4,859	10,536	6.65
1996	68,336	5,372	5,207	10,579	6.46
1995	61,526	4,675	5,525	10,200	6.03
1994	56,313	3,905	5,802	9,707	5.80

(1) "Gross Revenues" includes only revenues that are pledged for debt service payments under the System Revenue Bond Indenture.

Source: Northern Arizona University

STATE OF ARIZONA
UNIVERSITY OF ARIZONA REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Thousands)

Fiscal Year	(1), (2) Gross Revenues	(1), (2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2003	$ 726,258	$ 667,627	$ 58,631	$ 12,625	$ 12,156	$ 24,781	2.37
2002	670,326	625,664	44,662	9,946	15,500	25,446	1.76
2001	710,423	663,284	47,139	12,415	16,359	28,774	1.64
2000	674,330	625,318	49,012	11,700	13,081	24,781	1.98
1999	650,201	580,292	69,909	10,714	14,869	25,583	2.73
1998	605,197	555,733	49,464	9,830	14,463	24,293	2.04
1997	577,412	535,178	42,234	9,360	14,935	24,295	1.74
1996	563,623	513,444	50,179	9,491	15,421	24,912	2.01
1995	537,891	486,926	50,965	8,147	15,334	23,481	2.17
1994	511,315	467,291	44,024	6,450	13,813	20,263	2.17

(1) "Gross Revenues" and "Direct Operating Expenses" include Current Operating Unrestricted Funds only since these are the Funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization.

(2) Fiscal Year 2002 "Gross Revenues" and "Direct Operating Expenses" include accounting changes applied to Scholarship and Allowance due to implementation of GASB 34/35.

Source: University of Arizona

STATE OF ARIZONA
ECONOMIC INDICATORS
FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Unemployment Rate		(1), (2) Per Capita Personal Income	
	Arizona	U.S.	Arizona	US
2002	6.20 %	5.80 %	$ N/A	$ N/A
2001	4.70	4.80	25,878	30,413
2000	3.90	4.00	25,361	29,760
1999	4.40	4.20	23,939	27,880
1998	4.10	4.50	23,118	26,893
1997	4.60	5.00	21,892	25,412
1996	5.50	5.40	20,883	24,270
1995	5.10	5.60	20,050	23,255
1994	6.40	6.10	19,320	22,340
1993	6.30	6.80	18,424	21,539

(1) Information for 2002 is not yet available, there is a two year lag for income.

(2) Arizona & U.S. Income for 1999-2002 has been updated with June 30, 2003 revised data.

Source: Arizona Department of Economic Security

STATE OF ARIZONA
MAJOR PRIVATE EMPLOYERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Employer	Number of Employees
Wal-Mart Stores Inc	19,189
Honeywell International Inc.	13,303
Banner Health	12,408
Raytheon Company	10,100
Intel Corporation	9,575
Albertsons Inc	9,500
Bashas' Supermarkets	9,282
Wells Fargo & Company	9,100
Kroger Company	9,053
Target Corporation	8,778

Source: Phoenix Newspapers, Inc.

STATE OF ARIZONA
POPULATION BY COUNTY
FOR LAST TEN YEARS

COUNTY	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
MARICOPA	3,296,250	3,192,125	3,072,149	2,913,475	2,806,100	2,720,525	2,634,625	2,528,700	2,355,900	2,291,200
PIMA	890,545	870,610	843,746	845,775	823,900	789,650	780,750	758,575	728,425	712,600
PINAL	192,395	186,795	179,727	165,400	157,675	150,375	144,150	139,000	132,225	127,225
YAVAPAI	180,260	175,305	167,517	155,900	148,500	142,075	134,600	130,300	123,500	118,400
MOHAVE	166,465	161,580	155,032	142,925	138,625	133,550	127,700	125,150	120,325	114,000
YUMA	169,760	165,280	160,895	139,650	135,200	129,275	124,950	121,975	119,650	116,450
COCHISE	124,040	121,435	117,755	124,575	123,750	119,650	114,925	112,000	108,225	103,325
COCONINO	125,420	122,770	116,320	122,825	121,625	117,475	113,475	110,750	107,500	104,700
NAVAJO	101,615	99,780	97,470	93,400	92,500	89,225	84,300	82,875	81,750	80,675
APACHE	70,105	69,880	69,423	66,950	66,350	55,500	64,475	63,750	63,275	63,050
GILA	53,015	52,420	51,335	50,150	49,175	47,450	45,300	44,525	43,350	42,400
GRAHAM	34,070	34,065	33,489	35,750	34,700	32,575	31,150	30,050	30,625	29,400
GREENLEE	8,605	8,590	8,547	9,225	9,125	8,875	8,650	8,525	8,425	8,375
LA PAZ	20,365	19,935	19,715	19,250	19,000	17,625	18,200	16,700	16,075	15,550
SANTA CRUZ	39,840	39,325	38,381	39,100	37,800	36,350	35,050	34,275	32,400	31,525
TOTAL	5,472,750	5,319,895	5,131,501	4,924,350	4,764,025	4,590,175	4,462,300	4,307,150	4,071,650	3,958,875

Source: Arizona Department of Economic Security

STATE OF ARIZONA
SCHEDULE OF BANK AND SAVINGS AND LOAN DEPOSITS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003
(Expressed in Millions)

Fiscal	Banks			Savings and Loans		
			Total	(1)		Total
Year	State	Federal	Deposits	State	Federal	Deposits
2003	$ 6,307	$ 44,902	$ 51,209	$ -	$ 4,757	$ 4,757
2002	5,124	39,899	45,023	-	3,793	3,793
2001	4,518	39,673	44,191	-	3,129	3,129
2000	4,454	36,000	40,454	-	2,768	2,768
1999	4,031	33,660	37,691	-	2,480	2,480
1998	3,331	32,844	36,175	-	2,138	2,138
1997	2,724	31,611	34,335	-	1,738	1,738
1996	9,746	23,912	33,658	22	1,289	1,311
1995	9,403	23,984	33,387	86	1,496	1,582
1994	10,357	21,014	31,371	79	1,109	1,188

(1) Missing information is not available, as only Federal Savings and Loans are required to report to the Federal Deposit Insurance Corporation. Information on State Savings and Loans is no longer reported by the Arizona Banking Department.

Source: Federal Deposit Insurance Corporation

STATE OF ARIZONA
ASSESSED VALUE OF NEW COMMERCIAL AND RESIDENTIAL CONSTRUCTION
FOR THE LAST TEN YEARS

	COMMERCIAL CONSTRUCTION				RESIDENTIAL CONSTRUCTION			
Calendar Year Ended December 31	Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change	Number of Permits Issued	Percent Change	Value (Expressed in Thousands)	Percent Change
2002	56,100	2.40 %	$ 3,946,678	(21.68) %	83,019	9.43 %	$ 8,583,036	14.31 %
2001	54,785	1.69	5,038,963	5.32	75,863	1.65	7,508,550	9.40
2000	53,877	11.00	4,784,452	16.47	74,629	(7.21)	6,863,290	(5.52)
1999	48,536	12.08	4,107,783	(9.49)	80,432	3.66	7,263,997	8.83
1998	43,303	9.03	4,538,720	13.35	77,594	11.46	6,674,574	22.23
1997	39,717	9.69	4,004,022	1.41	69,613	5.17	5,460,787	11.19
1996	36,209	10.87	3,948,490	33.15	66,194	3.93	4,911,269	22.77
1995	32,659	8.04	2,965,456	30.15	63,688	(0.59)	4,000,436	(15.26)
1994	30,228	6.30	2,278,460	47.15	64,065	21.08	4,720,754	30.09
1993	28,436	1.67	1,548,420	3.57	52,910	6.31	3,628,710	15.71

Source: College of Business, Arizona State University
Center for Business Research

STATE OF ARIZONA
PUBLIC SCHOOL ENROLLMENT - GRADES K-12
FOR THE LAST TEN ACADEMIC YEARS

			(1)	(2)	Total	High School Dropouts	
Academic Year	Grades K-3	Grades 4-6	Grades 7-9	Grades 10-12	All Grades	(3) Total	(4) Percent
2002-03	301,289	227,372	234,309	207,313	970,283	26,516	8.50 %
2001-02	292,229	223,130	217,671	182,626	915,656	28,375	9.50
2000-01	288,421	215,648	206,838	168,080	878,987	28,862	9.80
1999-00	283,378	207,899	206,639	168,710	866,626	26,097	11.10
1998-99	278,746	199,017	198,083	157,455	833,301	31,844	12.20
1997-98	238,769	192,714	187,959	146,710	766,152	27,999	11.50
1996-97	264,925	188,959	187,220	145,723	786,827	30,294	12.80
1995-96	248,295	179,154	179,021	137,975	744,445	26,401	12.20
1994-95	243,608	177,402	176,942	135,932	733,884	25,369	12.10
1993-94	236,519	172,891	167,598	129,089	706,097	25,450	13.83

(1) Includes ungraded elementary enrollment, except for academic years 1997-98 and 1998-99.
(2) Includes ungraded secondary enrollment, except for academic years 1997-98 and 1998-99.
(3) The high school dropout totals for Academic Years (AY) 1993-94 is based on a nine month school year.
(4) Percent of total high school enrollment (Grades 9-12).

Note: 2002 enrollments were provided at the school level and do not eliminate concurrent enrollments. Overstatement estimated at 100,000 over all grade levels.

Source: Arizona Department of Education

STATE OF ARIZONA
AVERAGE STATE PRISON ADULT INMATE POPULATION
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2003

Incarceration Institution	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Florence Complex	8,624	8,468	8,176	7,723	7,794	8,145	7,693	7,205	6,988	6,083
Lewis Complex	4,555	4,058	3,656	2,151	978	0	0	0	0	0
Perryville Complex	2,415	2,165	1,885	1,564	2,653	2,403	2,581	2,432	2,375	2,342
Phoenix Complex	906	940	957	1,325	1,256	1,804	1,275	1,407	1,331	1,267
Tucson Complex	3,931	3,874	3,607	3,898	4,016	4,071	3,966	3,677	3,483	2,888
Douglas Complex	2,147	2,154	2,130	2,190	2,183	2,214	1,944	2,214	2,053	2,064
Winslow Complex	1,807	1,824	1,791	1,768	1,635	1,671	1,736	1,741	1,522	1,353
Safford Complex	1,757	1,797	1,624	1,839	1,778	1,804	1,979	1,749	1,493	1,476
Yuma Complex	2,199	2,159	2,048	2,241	2,226	1,328	764	303	297	264
Misc Prisons	157	170	154	292	240	0	0	0	0	0
Private Prisons	2,400	1,664	1,423	1,411	1,410	444	445	0	0	0
Total	30,898	29,273	27,451	26,402	26,169	23,884	22,383	20,728	19,542	17,737
Repeat Offenders Admitted	N/A	N/A	N/A	N/A	N/A	N/A	2,581	2,248	2,271	2,090

Source: Arizona Department of Corrections

STATE OF ARIZONA
PUBLIC HIGHER EDUCATION INSTITUTIONS'
FULL-TIME EQUIVALENT FALL ENROLLMENT
FOR THE LAST TEN YEARS

Institution	Fall 2003	Fall 2002	Fall 2001	Fall 2000	Fall 1999	Fall 1998	Fall 1997	Fall 1996	Fall 1995	Fall 1994
Universities:										
Arizona State University	52,265	49,980	47,086	44,637	43,910	42,946	43,105	40,910	39,552	39,147
Northern Arizona University	16,389	17,189	17,057	17,107	17,293	17,484	17,183	17,193	17,592	16,875
University of Arizona	33,807	33,089	32,460	30,981	31,008	30,733	30,403	29,724	31,042	31,314
Total	102,461	100,258	96,603	92,725	92,211	91,163	90,691	87,827	88,186	87,336
Community Colleges:										
Cochise County	2,273	2,303	2,387	2,141	2,173	2,453	2,419	2,267	2,270	2,529
Coconino County	1,433	1,459	1,378	1,449	1,454	1,308	1,364	1,485	1,387	1,295
Graham County	2,213	2,064	2,869	2,828	2,762	2,623	2,300	2,279	2,235	2,094
Maricopa County	51,098	48,678	44,693	42,320	41,104	39,435	37,265	37,064	35,903	35,762
Mohave County	1,765	1,922	1,856	1,763	1,876	1,788	1,671	1,805	1,731	1,708
Navajo County	2,122	2,119	2,095	1,875	1,444	1,624	1,711	1,744	1,723	1,741
Pima County	15,199	14,832	13,469	12,656	13,281	13,061	12,898	12,526	13,080	13,128
Pinal County	2,533	2,407	2,436	2,220	2,213	2,011	2,032	2,071	2,138	2,042
Yavapai County	2,559	2,503	2,403	2,272	2,343	2,322	2,348	2,254	2,382	2,258
Yuma County	3,209	3,179	3,120	2,922	2,889	2,773	2,762	2,759	2,708	2,691
Total	84,404	81,466	76,706	72,446	71,539	69,398	66,770	66,254	65,557	65,248
Total All Institutions	186,865	181,724	173,309	165,171	163,750	160,561	157,461	154,081	153,743	152,584

Sources: Arizona Board of Regents
State Board of Directors for Community Colleges

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, Financial Services Division, Financial Reporting Section:

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